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Austria	Sch30	Iran	Rls219	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es176
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£2.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.50	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr120	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

TECHNOLOGY
A power play by the coal industry
Page 9

World News

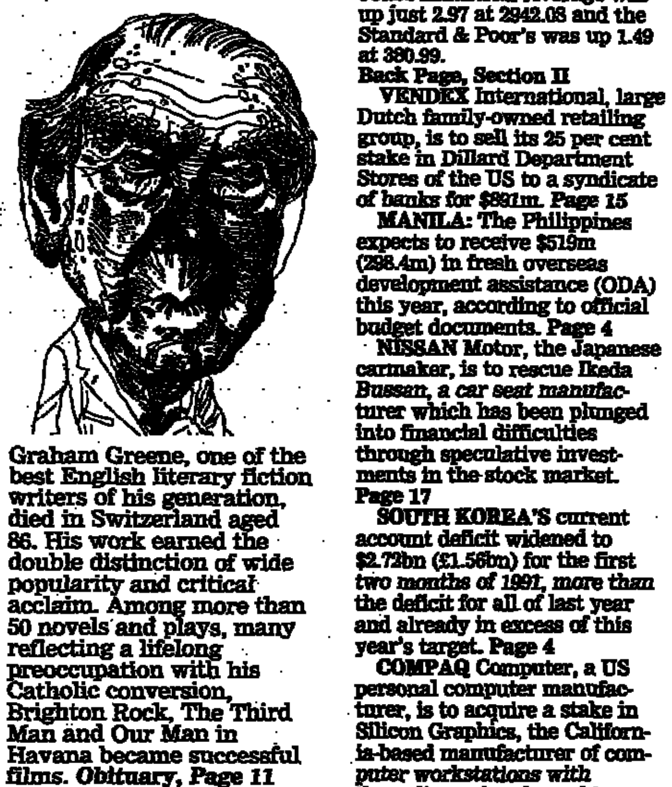
France raises the stakes in campaign to protect Kurds

France raised the stakes in its campaign to protect fleeing Kurdish rebels from Iraqi reprisals with an implied threat to break ranks with the international community in the United Nations. Page 14

Albanians seek visas

Some 5,000 Albanians, desperate to leave the country after the election victory of the ruling communists, massed outside Tirana's Greek embassy in the hope of getting visas. Protest strike, Page 2

Graham Greene dies



Graham Greene, one of the best English literary fiction writers of his generation, died in Switzerland aged 86. His work earned the double distinction of wide popularity and critical acclaim. Among more than 50 novels and plays, many reflecting a lifelong preoccupation with his Catholic conversion, Brighton Rock, The Third Man and Our Man in Havana became successful films. *Obituary, Page 11*

Kashmiris march

Thousands of Kashmiri separatists opposed to Indian rule marched to a ceasefire line with India, which they are threatening to cross in protest at lack of Pakistani support for their cause.

Bomb kills five

A bicyle bomb killed five people and wounded 36 near a police post in the Sikh holy city of Amritsar in the northern Indian state of Punjab.

Cameroon clashes

Thousands of street hawkers and students clashed with riot police in the centre of the Cameroon capital, Yaounde, in escalating protests against President Paul Biya's one-party rule.

Lebanon gun battle

Israeli-backed militiamen killed two guerrillas during a gun battle inside Israel's self-proclaimed security zone in south Lebanon.

Fishermen shot

Tamil separatist guerrillas shot dead at least four fishermen and injured nine off eastern Sri Lanka. The navy rescued 15 others from the sea.

Daley wins easily

Mayor Richard M. Daley, son of Chicago's legendary political boss, was easily elected to his first full term in Chicago. He first became mayor in a special by-election after his predecessor died in office. Page 3

Bangladesh deaths

A diarrhoea epidemic has killed more than 200 Bangladeshis and infected about 5,000 others in the past three weeks.

Raffles to reopen

Singapore's 105-year-old Raffles Hotel, closed for renovations two years ago, will reopen in September.

Chief told to quit

Mayor Tom Bradley of Los Angeles asked embattled police chief Daryl Gates to resign over the videotaped beating of a black motorist.

Business Summary

Alcatel plans to boost market value by FFr6.8bn

Alcatel Alsthom, the French electrical engineering and telecommunications group, has unveiled a plan to overhaul its complex financial structures by absorbing three of its subsidiaries, adding an estimated FFr6.8bn to its stock market value. Page 15

MARKETS: Tokyo, the Nikkei average gained 528.06 or 2 per cent to 26,780.06 after reaching a high of 26,803.48 near the close. Frankfurt, the DAX closed 38.88, or 2.5 per cent higher at 1,577.50. New York, by midday the Dow Jones Industrial Average was up just 2.97 at 2942.08 and the Standard & Poor's was up 1.49 at 380.99.
Back Page, Section II

VENDEX International, large Dutch family-owned retailing group, is to sell its 25 per cent stake in Dillard Department Stores of the US to a syndicate of banks for $891m. Page 15

MANILA: The Philippines expects to receive $519m (298.4m) in fresh overseas development assistance (ODA) this year, according to official budget documents. Page 4

NISSAN Motor, the Japanese carmaker, is to rescue Ikeda Bussan, a car seat manufacturer which has been plunged into financial difficulties through speculative investments in the stock market. Page 17

SOUTH KOREA'S current account deficit widened to $2.72bn (£1.56bn) for the first two months of 1991, more than the deficit for all of last year and already in excess of this year's target. Page 4

COMPAQ Computer, a US personal computer manufacturer, is to acquire a stake in Silicon Graphics, the California-based manufacturer of computer workstations with three-dimensional graphics. Page 17

ROLLS-Royce, UK aero-engine maker, has signed a contract with the Garuda Indonesia airline to supply Rolls-Royce Trent engines for nine aircraft. Industry officials estimated the contract at £90m-£100m ($160m-$178m). Page 6

WASHINGTON: The US Treasury is sticking by its list of 89 businesses and individuals named as fronts and agents for the Iraqi government despite claims by many of those listed that they are innocent of the charges. Page 4

NORTH Sea: Two Norwegian oil and gas engineering and equipment supply companies are making acquisitions which will allow the companies to break out of the North Sea offshore oil and gas market. Page 17

BELLELI, Italian engineering group, has won a L80bn ($65.14m) order from Nederlandse Aardolie Maatschappij (NAM), a Shell-Exxon joint venture, to build topsides facilities for a new production platform in the Dutch sector of the North Sea. Page 6

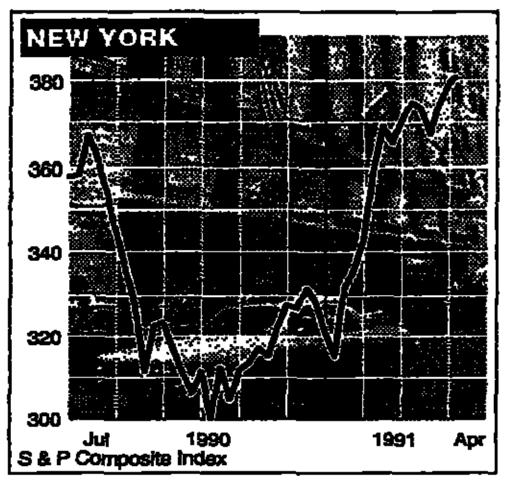
AEGON, the second largest Dutch insurance group, reported a 14.1 per cent rise in 1990 operating profit and a 23 per cent increase in its dividend. Page 15

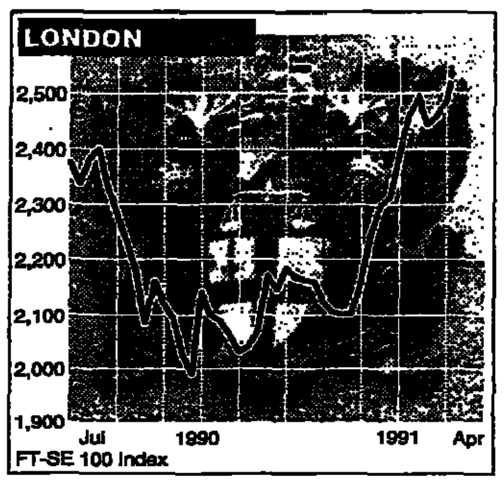
US Federal Reserve has published a survey showing a reduction in the proportion of US banks tightening credit standards, raising hopes that the "credit crunch" will ease soon. Page 3.

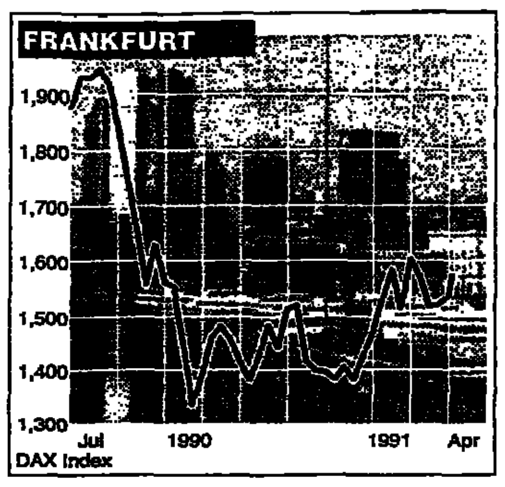
NEWS LTD, Australian subsidiary of Mr Rupert Murdoch's News Corporation, yesterday closed its quality Melbourne Sunday Herald newspaper to stem losses estimated at A$15m (US$11.5m) a year. Page 18

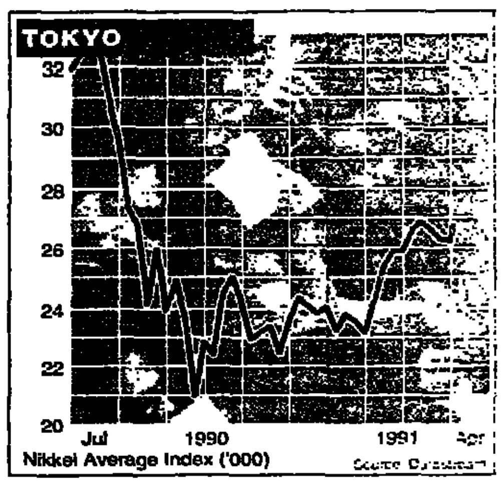
BRUSSELS: the European Commission is pressing richer member states of the Community to do more to bolster the economic development of poorer members. Page 2

AIR BRASIL, a new airline, will be launched today as a joint venture by TNT Sava, the Brazilian subsidiary of TNT Worldwide, and Lider Taxi Aereo. Page 6









European bourses rise strongly on hopes for economic recovery

SHARE prices advanced in Europe yesterday after strong overnight performances in New York and Tokyo, writes Peter Marsh.

The London market rose to a record level amid signs that the UK recession might be close to bottoming out and that a further cut in interest rates could come soon. The FT-SE 100 share index closed 1.2 per cent higher at 2,519.1, up 30.8 points.

The mood of optimism about the world economy improving later this year lifted other European bourses. Led by Frankfurt, which closed 2.5 per cent up, stock markets in Paris, Milan, Amsterdam and Zurich all finished the day between 1 per cent and 2 per cent higher.

In New York, the Dow Jones Industrial Average was holding on to most of its near-64 point gain on Tuesday. It was quoted at mid-session at 2,936.88, down 8.17. In Tokyo, the Nikkei index ended at 26,780.06, up 2 per cent.

London traders took heart from a Confederation of British Industry report earlier in the week indicating that manufacturers were becoming more confident about business prospects. Sterling's recent strength was another cause for optimism.

On foreign exchanges in London, sterling closed at DM2.9625, almost 1 pfennig down against the D-Mark. Against the dollar, the pound rose more than 1 cent to $1.7810.

Concern was expressed by some traders that the Bundesbank, which today holds a regular council meeting, might decide to raise interest rates in response to signs of inflationary pressures.

That could lead monetary authorities in other parts of Europe to rethink their options for easing borrowing conditions to promote growth.

Market reports, Section II

Financial specialists warn Gorbachev of catastrophe

By John Lloyd in Moscow

MOSCOW must immediately reassert control over the Soviet Union's rebel republics to avoid an economic catastrophe, the country's three senior financial executives have told President Mikhail Gorbachev.

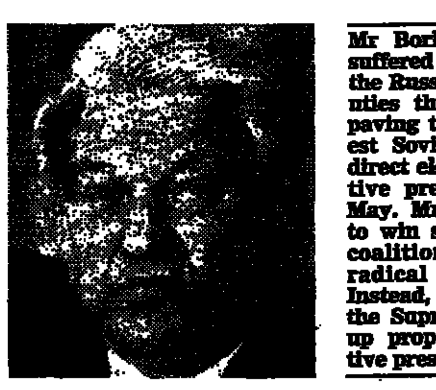
They have called for a financial crackdown which would put Moscow on an even sharper collision course with the two biggest republics, Russia and Ukraine, as well as the three Baltic republics, and Moldavia, Georgia and Armenia.

In a stark six-page letter, they warn that the state budget will not be able to continue funding expenditure on the army, welfare payments and industrial investment in the second quarter of this year.

"The economy is on the brink of a catastrophe," says the letter, which has also been distributed to all 542 deputies in the USSR Supreme Soviet.

It was signed by Mr Vladimir Orlov, the finance minister, Mr Victor Geraschenko, chairman of the state bank, and Mr Victor Kucherenko, chairman of the Supreme Soviet's Budget and Planning Committee.

Although the letter was addressed to the president, it conforms with Mr Gorbachev's own efforts to regain political, economic and military control over republics that are increasingly acting independently.



Since a majority of voters agreed to the maintenance of the Union in the referendum on March 17, the Soviet leader has maintained that he has a mandate to maintain and strengthen the USSR under a new union treaty, even though agreement on this has been indefinitely postponed.

The letter lays the blame for the crisis entirely on those rebellious union republics – especially the Russian Federation – which have in the last few months passed laws in effect starving the union budget to the benefit of their own.

The troika of financial leaders says the budget deficit for the first quarter of this year is expected to reach Rs31.1bn, already higher than the planned deficit for the entire year of Rs26.7bn.

Income to the union budget from the republics for the first two months stood at only Rs7bn, against a planned Rs23.4bn – or less than one third – while the republics have cut the proportion of tax they raise for the centre by 72.2 per cent to Rs7.5bn.

A special fund established by the centre to stabilise the economy, to which the republics had agreed to pay more than Rs48bn in 1991, has received "practically nothing".

Gosbank estimates a shortfall in budgetary income for this year of Rs123bn – about half of that planned.

By far the largest defaulter would be Russia, estimated to withold Rs105bn, while the Ukraine would withold Rs7.7bn.

The crisis measures called for by the three officials include:

- Suspending republican economic laws which contradict the Union laws on banks, taxes and the budget;
- Authorising Mr Geraschenko to dismiss his counterparts in the republican banks who the three believe are breaking the law;
- Giving the Gosbank chairman greater powers over money supply, loans and foreign exchange; and
- Authorising him to revoke decisions of the republican banks which "destabilise monetary circulation".

They say that the crisis is too urgent to wait for the signing of the union treaty between the republics.

Radical economists yesterday dismissed the attempt to put all blame on to the republics. Mr Grigory Yavlinsky, a former deputy prime minister of the Russian Federation and an unofficial adviser to Mr Boris Yeltsin, the Russian leader, said "the crisis lies with the centre". He claimed that the budget deficit last year was a actually Rs250bn, compared to an official figure of Rbs58bn.

Reforms 'inevitable', Page 2

Mr Boris Yeltsin yesterday suffered a series of defeats in the Russian parliament. Deputies threw out a proposal paving the way for the largest Soviet republic to hold direct elections for an executive president in April or May. Mr Yeltsin also failed to win support for a Soviet coalition government and radical economic reform. Instead, deputies instructed the Supreme Soviet to draw up proposals for an executive presidency. Page 2

Paris boosts aid to electronics groups by FFr6bn

By William Dawkins in Paris

THE French government yesterday committed FFr6bn ($1.06bn) of fresh capital for its electronics industry and called for stronger European Community policies to support EC high technology companies.

The move, announced by Mr Roger Fauroux, the industry minister, looks set to rekindle the EC debate over how far the Community should go to defend its computer and electronics producers against US and Japanese competition.

The European market should not be allowed to turn into "a territory open to all winds", said Mr Fauroux.

He called for strict reciprocity on market access between the EC and third countries, as well as tough use of anti-dumping rules and an analysis of national preferences allowed in US and Japanese public procurement.

The Paris government is to provide FFr4bn of capital injections over the next two years for Bull, the heavily loss-making state computer maker, and nearly FFr2bn this year for Thomson, the lossmaking consumer and defence electronics group.

The grants will be examined by the Commission's competition directorate.

Of the FFr6bn total, 17 per cent will come from France Telecom, which holds minority stakes in both companies and which had made no secret of its unwillingness to take part. The rest is being provided directly from government coffers.

In addition, Bull is to receive a FFr2.7bn contribution to its research budget over the next four years.

This will bring to FFr6.7bn the total of grants and fresh capital it is receiving from the government - almost equivalent to the record annual net loss of FFr6.8bn which Bull announced last week.

The industry ministry has also set aside FFr2.4bn - more than half its research budget this year - for electronics, including Thomson's work on high definition television, joint European research into semiconductors and support for small company research and development.

Mr Fauroux said action was made doubly urgent by the sharp slowdown in European electronics markets and the blow to the competitiveness of European exports caused by the fall of the dollar and the yen. Commission proposals tabled last month to increase public support for the electronics industry were an essential first step.

Brazil issues angry protest at suspension of development loan

By Christina Lamb in Rio de Janeiro

BRAZIL yesterday called in foreign ambassadors and issued a protest note over the suspension by the Inter-American Development Bank of a $350m loan to the country.

Ms Zelia Cardoso, Brazil's economy minister, is expected to protest strongly over the IADB decision at the bank's annual meeting, starting tomorrow in Nagoya, Japan. However, she is unlikely to find a sympathetic hearing.

Brazil accused members of the Group of Seven leading industrialised nations of blocking multilateral loans to force it into an agreement with foreign creditors.

Brazilian officials say such a linkage has never before been made.

The allegation comes in reaction to the IADB's suspension of a $350m development loan because of pressure from member countries worried by mounting arrears on Brazil's commercial bank debt.

An angry protest note issued by the Brazilian Foreign Ministry accused the US, France, Canada, Japan and the UK of using the IADB to exert political pressure.

The "illegitimate and unacceptable" action of the five countries "jeopardises the role of the IADB as a multilateral institution for supporting development", the note said.

The ministry called in ambassadors of countries which voted to suspend the loan to point out that Brazil has never defaulted on payments to multilateral institutions and in the last four years has repaid $700m to the IADB.

Ms Cardoso was yesterday in Paris, meeting the head of the Paris Club group of creditors. According to ministry officials, she was planning to ask for Brazil's $20bn official debt to be halved in a deal similar to that granted to Poland.

Given Brazil's isolation by the international financial community, there was little hope she would succeed.

According to the IADB representative in Brasilia, the "badly needed" loan was to "lay sewerage lines in areas of low income and high unemployment to alleviate some of the tougher measures of Brazil's current economic stabilisation programme". The loan had already been delayed from last year.

The International Monetary Fund has also delayed visits of a mission to discuss a $2bn standby facility, apparently because of US pressure. A letter of intent signed last September has long since been torn up.

Brazil has been negotiating since last October with its commercial creditors, whom it stopped paying in July 1989.

As a goodwill gesture it resumed partial interest payments for the first three months of this year and was thought to be close to an accord on the more than $8bn outstanding in interest.

Brazil has agreed to pay 24 per cent of these arrears this year, close to the banks' demand of 25 per cent. But there is still considerable difference over interest rates on bonds to be created to cover the remaining portion.

Mexico, Colombia, Venezuela plan free trade zone, Page 3

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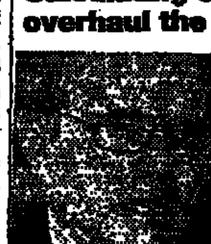
Calculating on a last chance to overhaul the US banking system



Nicholas Brady, US treasury secretary, was blunt with Congress when he recently presented his bank reform plans, describing "a bleak picture that demands action – prompt action – to correct it". Page 12

MARKETS

STERLING
New York lunchtime:
$1.7705
London:
$1.768 (1.739)
DM2.97 (2.965)
FFr10.085 (10.055)
SFr2.5225 (2.53)
Y244.75 (245.5)
£ index 92.7 (92.4)

GOLD
New York: Comex Jun
$360.6 (362.4)
London:
$357.75 (355.85)

N SEA OIL (Argus)
Brent May
$18.025 (18.125)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.6785
FFr5.691
SFr1.4245
Y138.3
London:
DM1.6805 (1.7055)
FFr5.6925 (5.7825)
SFr1.427 (1.455)
Y138.5 (141.15)
$ Index 65.6 (66.3)
Tokyo close: Y139.13

US lunchtime rates
Fed Funds $6\frac{3}{8}$%
3-mo Treasury Bills:
yield: 5.933%
Long Bond:
98
yield: 8.23

STOCK INDICES
FT-SE 100:
2,488.3 (+31.8)
FT Ordinary:
1,985.9 (+32.0)
FT-A All-Share:
1,205.26 (+1.0%)
New York lunchtime:
DJ Ind. Av.
2,902.23 (+21.04)
S&P Comp
374.31 (+3.01)
Tokyo: Nikkei
26,252.0 (+244.6)

LONDON MONEY
3-month interbank:
closing $12\frac{3}{8}$% (same)
Liffe long gilt future:
Jun $92\frac{8}{32}$ ($92\frac{13}{32}$)

EUROPEAN NEWS

Serbs wreak havoc in secessionist dispute with Croats

A YOUNG man clad in khaki emerges from the woods, raises a rifle to his shoulder and shouts from behind a barricade: "Leave or I'll shoot," Reuter reports from Zegreb.

In many parts of the Yugoslav republic of Croatia, the Serbian minority is rebelling against Croatian rule by blocking roads with trees and rocks.

Armed with anything from hunting rifles, automatic weapons, and grenades to mines apparently stolen from the Yugoslav army, the Serbs are wreaking havoc.

A 600,000-strong minority in Croatia's 4.5m population, the Serbs complain of persecution. They oppose secessionist moves by Croatia's nationalist government and want to remain part of Yugoslavia.

Barricades have gone up across Croatia since Sunday, when three people were killed and dozens hurt in gunfights with Croatian special police in the Plitvice national park.

The Yugoslav army has been deployed around Plitvice to prevent further clashes. Anyone approaching barricades risks death: one woman was shot three times when her car was riddled with bullets in the town of Vukovar but she survived.

The barricades have caused chaos with transport and closed some schools. In Plitvice, about 15 cars stood abandoned by the roadside riddled with bullets. Snow by the roadside was spattered with blood.

"It is very tense. The situation is very difficult," Croatian presidential spokesman Mario Nobilo said. Shooting has been reported in several towns and shops owned by Croats have been bombed in Knin, at the heart of the Krajina region of southern Croatia which is dominated by Serbs.

Serbs and Croats are old power rivals with a history of bloody conflicts. Croatian fascists massacred Serbs in the Second World War but post-war tensions were held in check by Yugoslavia's Communist ruler Josip Broz Tito until he died in 1980.

In a sign of the divisions Serbian flags are hoisted in many towns hundreds of miles from Serbia. Croats fear entering some Serbian towns and some Serbs are wary of entering Croatian-dominated areas.

Croatia fears Serbia wants to take over huge areas of Croatian territory to create a Greater Serbia. Serbia says Croatia wants to destroy Yugoslavia by seceding.

"Civil war is already in progress," Belgrade's student organisation said in an appeal for peace. "Its instigators must be uncovered and stopped."

EC seeks more aid for poorer members

THE EUROPEAN Commission is pressing richer member states of the Community to do more to bolster the economic development of its poorer members, writes David Gardner in Brussels.

It is doing so partly in order to head off a more radical proposal by Spain, which wants intra-EC budget transfers to help the south and the periphery catch up.

In a submission to the intergovernmental conference (IGC) on political union, which is examining changes to the Rome Treaty, the Commission has said it wants to widen spending designed to iron out regional disparities widened. It also wants economic and social "cohesion" (Euro-speak for more balanced development across the Community) to be an overt object of all EC common policies.

The idea, Commission officials say, is to prepare the ground for member states to increase the so-called structural funds devoted to helping backward and declining regions of the EC develop competitive advantages before the completion of the single market. These funds were doubled in 1988, to Ecu63bn ($78.1bn) for 1989-93. Most of this money goes to finance roads, railways, telecommunications and training in Spain, Portugal, southern Italy, Ireland, Greece, and industrially declining areas of Britain.

Spain last month caused a controversy by urging the IGC to agree not only to bigger structural funds, but to set up a new EC fund to shift resources from richer to poorer members. Madrid says plans for economic and monetary union (Emu) will fail without this more overtly federal approach.

The Commission believes Spain's suggestion could stall progress on Emu and political union.

Albanians at Greek embassy in Tirana: an estimated 5,000 people are waiting for visas to the west

Albania's opposition party calls nationwide strike

By Laura Silber in Tirana

ALBANIA'S opposition Democratic Party has called a nationwide general strike today to protest against a wave of communist-backed violence which has gripped the country following last Sunday's free elections.

The strike, which is expected to paralyse the country's main industrial centres, is likely to bring Albania closer to a complete breakdown of order.

The possibility of further confrontation cannot be ruled out since the ruling Albanian (communist) Party of Labour (APL) appears determined to exercise its power through force, and anti-communist demonstrators are refusing to accept the election result.

The APL won 162 seats in the 250-member parliament while the Democratic Party won 65 seats.

Three people were killed and scores injured earlier in the week after police quashed an anti-communist demonstration in the northern city of Shkoder.

Yesterday more than 50,000 people packed the central square of Shkoder for the funeral of those who were killed on Tuesday.

"People of Shkoder, you are the victims of the communist system of a state that wants to kill its citizens," said Mr Sali Berisha, a leader of the Democratic Party.

Sporadic violence continued yesterday. Mr Gramoz Pashko, a leader of the Democratic Party, said the home of an opposition official in the southern Adriatic town of Saranda had been bombed.

Earlier in the day, the headquarters of the Democratic Party in the central industrial city of Elbasan, were also bombed.

"The strike signifies our demand that the perpetrators of this violence must be prosecuted," said Mr Edi Islami, an opposition leader.

Yesterday workers in several towns refused to turn up at their workplace.

In the western industrial town of Kavaje, where violence and demonstrations broke out last December, hundreds of people were out on the streets protesting against the communist victory.

The success of today's strike will depend partly on communications.

The media are controlled tightly by the communists, and telecommunication links throughout the country are poor.

It remains uncertain who is now running the ruling party. President Ramiz Alia, head of the APL and a cautious reformer, lost his seat in the elections.

But although he will remain as party leader for the time being, it is not certain he will be able to peacefully steer the party along a reformist path.

Moreover, the defeat of party moderates and the election of Stalinists could facilitate the ascendancy of hardliners led by Mr Xhelil Gjoni, secretary of the Communist Party's central committee.

SOVIET CRISIS

Radical market reforms 'inevitable'

By Leyla Boulton in Moscow

ECONOMIC CRISIS will force the Soviet Union in a matter of months to undertake radical market reforms of the sort it rejected last year, Mr Grigory Yavlinsky, the main author of the ill-fated 500-Day Programme predicted yesterday.

Mr Yavlinsky, who resigned as deputy prime minister of Russia last November on the grounds that his programme for a crash transition to a market economy could not be implemented in just one republic, said in an interview that a renewed wave of co-ordinated reform would involve all the republics, including those which want independence.

But he shared Mr Boris Yeltsin's view that such reform could only be carried out by a coalition government with real power devolved to the republics.

This is not surprising since he helped the Russian leader draft a speech on Friday outlining financial stabilisation measures and other points contained in the 500-Day Programme - otherwise known as the Shatalin programme.

As well as advising the president of Kazakhstan, the 38-year-old economist has set up an independent centre – temporarily housed in the Russian government premises – to provide economic expertise and draft legislation for republican authorities.

"I want to repeat my experience of August last year when they (the republics) were all shouting about sovereignty but we signed with them the 500-Day Programme," he said.

The republics, including most of those who want independence, agreed last summer to implement the radical programme on the basis of an economic union.

But the project, which also had the backing of Mr Yeltsin, collapsed after it was abandoned by President Mikhail Gorbachev.

He poured scorn on Prime Minister Valentin Pavlov's handling of the current economic crisis, saying that the price reform would unleash hyperinflation and probably lose the central government any support it had.

"Our population has no experience of living in conditions of high and really dangerous inflation," he said.

"I don't think people will come out on to the streets – thank God – but in their souls they will put the last full stop to this government."

He said Mr Pavlov had as yet no proper economic programme and doubted whether an anti-crisis plan he is due to present next week would be able to tackle problems ranging from a soaring budget deficit to falling output and looming hyperinflation.

"The situation is coming to the point where it needs a real answer on what should be done."

He added, however, that any attempts by republics to save themselves through unilateral measures asserting economic independence were doomed to failure.

"It is clear that for all of them there is no way out unless we have a common currency and common customs.

All the professionals in the republics understand this. Their people won't wait for them to create their own banking system and their own currency," he said.

Until a co-ordinated strategy was agreed for the whole country, however, republics could only act to soften the impact of the crisis for their inhabitants and lay the ground for market reforms.

As well as providing advice on how to do just this, Mr Yavlinsky's Centre for Economic and Political Research is also drawing up proposals to advise foreign governments and institutions on how best to help the Soviet Union with economic aid.

● East Japan Railway plans to remodel second-hand railway cars for export to the Soviet Union, and is considering other ways of helping modernise the Soviet rail system, the company said, Reuter adds from Tokyo.

The number of cars and timing of the shipment will be decided when company officials meet Soviet authorities soon.

East Japan Railway is considering supplying carriages free of charge and accepting payment only to cover remodelling and shipping costs.

The Soviet request came when Japanese railway representatives visited the Soviet Union in early January to study its distribution network.

East Japan Railway plans to supply technology for building signal systems and high-speed railways to the Soviet Union, and may introduce the Bullet Train there in the future.

Yeltsin suffers a series of defeats

By Leyla Boulton in Moscow

THE RUSSIAN leader, Mr Boris Yeltsin, yesterday suffered a series of defeats in his own parliament as President Mikhail Gorbachev tried to come to grips with a crippling miners' strike now in its second month.

Deputies in the Russian Congress of People's Deputies threw out a proposal paving the way for the largest Soviet republic to hold direct elections for an executive president in April or May.

Mr Yeltsin, who would almost certainly win such a contest because of his huge popularity, also failed to win support for his call for a Soviet coalition government and radical economic reform country-wide.

Instead, deputies approved a watered-down resolution instructing the Supreme Soviet, or standing parliament, to draw up proposals for an executive presidency to be discussed at the next session of the congress (for which no date has yet been set).

Only the congress, the republic's super-parliament, has the right to adopt the constitutional amendments needed to create a new post of president. The congress is expected to end today after plans originally to end it on Tuesday.

Supporters of Mr Yeltsin said they were already gathering signatures for the congress to reconvene in May.

Hardline Communists, who initially summoned the congress, have given up attempts to unseat Mr Yeltsin for now, partly under the pressure of a 70 per cent vote in favour of an elected presidency in last month's referendum in Russia.

They say they also favour a presidency, but are likely to campaign hard for its powers to be diluted.

Another meeting within the Kremlin walls gathered together dozens of coalminers' representatives and the government for a second day of talks.

Mr Gorbachev joined the meeting after the two sides continued to work on a joint agreement elaborating concessions on the miners' economic demands.

Even if an agreement emerges from the meeting, it is unlikely to end the strike, which has engulfed mining regions in Russia, the Ukraine and Kazakhstan.

Independent trade unions, which represent a majority of strikers, have indicated they will not back any agreement which does not address their political demands, including a call for the resignation of President Gorbachev.

Many of the miners have come out firmly in support of Mr Yeltsin and his calls for radical market reform.

EUROPE IN BRIEF

Japan and Brussels to sign deal

A joint declaration which would govern future relations between Japan and the European Community could be formally adopted by July, according to the European Commission, writes Andrew Hill in Brussels.

Commissioners discussed the important economic clauses in the agreement, which would be modelled on similar statements signed by the EC and the US, and the EC and Canada, last November.

The Commission hopes to submit a draft text to the next meeting of EC foreign ministers on April 15. If accepted, the text would be put to Japan at the Organisation of Economic Co-operation and Development meeting planned for June, with formal adoption expected the following month.

A senior Commission official said the EC-Japan statement was similar to the US and Canadian declarations, but was likely to add specific clauses on individual economic sectors.

Walesa bemoans trade barriers

Mr Jacques Delors, president of the European Commission, said he hoped an association agreement between the EC and Poland could be signed before the end of this year, writes David Gardner from Brussels.

But this did not prevent President Lech Walesa, in Brussels for talks with Mr Delors, from voicing anew Polish complaints about EC barriers to his country's farm produce, steel and textiles.

The association agreement, similar to those being negotiated in parallel with Hungary and Czechoslovakia, would lead gradually to a free trade area, probably over 10 years, a Commission official said. Both sides acknowledged it would take a long time for Poland and its post-Communist colleagues to approach EC levels of development. "You can't race a bicycle against a motor car," the Polish leader remarked.

But he complained that Polish products which were competitive were being denied access to the EC, with which his country currently had "a pipeline in one direction". Mr Walesa said "we want equality, not preferential treatment...having raised the iron curtain please don't bring down a silver curtain in its stead."

France assesses unemployment

The French government is to investigate the statistical basis of France's unemployment figures. These are substantially higher than those of its main European partners and it is suspected they overstate the true picture, writes Ian Davidson in Paris.

At the same time, the government is preparing to crack down on the clandestine labour market, which harbours illegal immigrants as well as workers on the unemployment register.

The investigation comes after a sharp jump in the unemployment figures last month, when an increase of 45,200 registered unemployed raised the total from 9.1 to 9.2 per cent – the worst deterioration since 1984.

A pilot study by the Labour Ministry has suggested the figures would be much lower if France applied the criteria used by the Geneva-based International Labour Organisation.

Under ILO measurements, French unemployment might be 720,000 lower than the present official total of 2.5m.

Lisbon calls banks to order

The Portuguese government has warned banks against giving "misleading" information in their efforts to win deposits and sell new products, writes Patrick Blum in Lisbon.

The move follows increasing complaints to the National Institute for the Defence of Consumers about some banks, which are fighting an increasingly bitter battle for market share.

Mr Jose Macario Correia, secretary of state for the environment and consumer affairs, said that the government would introduce legislation in order to protect customers against incomplete or inaccurate descriptions of services and products offered by banks.

Yacht fees prompt protest

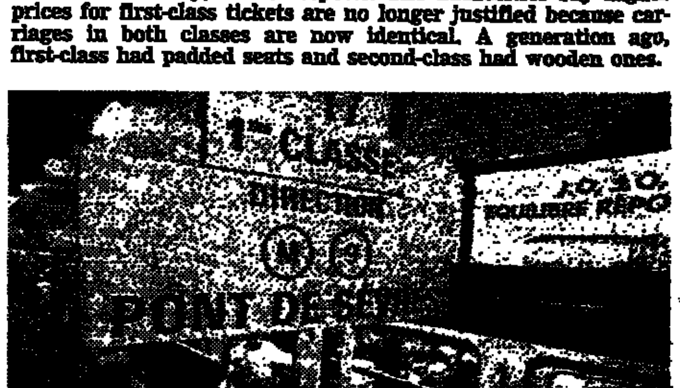
At least 15 luxury yachts have slipped their moorings at St Tropez harbour this week in protest at increased charges at the Mediterranean jet-set port, according to residents, Reuter reports.

Residents say wealthy boat-owners began moving their floating palaces out after April 1, refusing to pay a 44 per cent increase imposed by the town council.

"We're leaving," said one skipper. "It's madness. We wouldn't mind if the amenities were worth the price, but most of the telephones don't work and we can't use the air-conditioning on board because the electrical system can't cope."

Paris abandons Metro snob symbol

Paris transport authorities are to abolish one of the French capital's most enduring snob symbols – first-class carriages on the Metro railway, Reuter reports. The authorities say higher prices for first-class tickets are no longer justified because carriages in both classes are now identical. A generation ago, first-class had padded seats and second-class had wooden ones.



Danish business brings home a surplus of bacon

A strong trade performance and low inflation has reinvigorated the economy, writes Hilary Barnes

THE Danish economy has moved firmly away from the financial abyss it faced for much of the 1980s to a point where it can now claim to be among the most stable in Europe.

Its inflation rate is the lowest of any OECD country, with consumer prices rising by 2.5 per cent from in the year to January 1991. The trade surplus, at over five per cent of GDP, is one of the largest in relation to the size of the economy.

Another sign of the economy's present strength is that the gap between Danish and German interest rates is now only 0.9 per cent on 10-year treasury bonds.

It was not always like this. In the early 1980s, when there was a large budget deficit and the gap between Danish and German interest rates was six or seven percentage points, Mr Erik Hoffmeyer, the governor of the National Bank (Central Bank), likened the economy to the Rake's Progress.

The problems arose from an inflation rate which was persistently higher than that in Denmark's main trading partners. The result was a 26-year history of current account deficits, broken last year for the first time since 1963 with a Dkr9.3bn current account surplus.

The net foreign debt gave bankers the jitters for several years. It soared to a peak of Dkr296bn in 1988, about 41 per cent of GDP. Per capita, the debt was among the highest in the world, at $8,600 at 1988 exchange rates. After allowing for currency adjustments and last year's current account surplus, the debt was down at the end of 1990 to Dkr279bn, about 34 per cent of GDP, according to the National Bank.

The improvement in Denmark's economic performance began after 1986, when the current account deficit, at Dkr36bn or 5.2 per cent of GDP, caused the government to implement a radical tightening of fiscal policy, together with tax reforms. Among other things, mortgage relief was cut, which, together with a falling inflation rate, has stimulated household sector savings considerably.

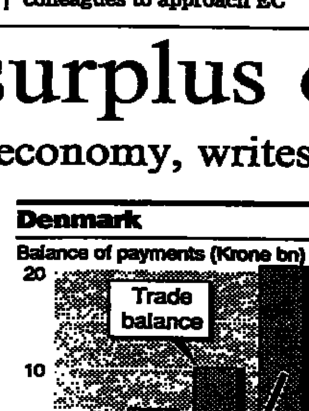
The picture is not wholly positive, however. There was barely any GDP growth in 1987 and 1988, and the increase was only just over one per cent in 1989 and 1990. Unemployment has remained high, at a seasonally adjusted rate currently of about 9.6 per cent.

But Mr Anders Fogh Rasmussen, the economy minister, believes the outlook is positive. His ministry's latest economic survey predicts GDP growth of about 1.2 per cent in 1991, but, as business investment and private consumption recover, GDP growth is expected to accelerate to 2.2 per cent in 1992.

The most encouraging point about the forecast is that Mr Fogh Rasmussen thinks that faster growth can be achieved without a renewed deterioration in the current account, which is expected to be in surplus of almost Dkr12bn in 1991 and nearly Dkr13bn in 1992.

If the current account forecasts prove wrong it would not be the first time that the government has erred on the side of optimism. But among the factors underpinning the forecast is the moderate two-year collective wage and salary agreements concluded over the past few weeks.

These are expected to give a total increase in wage costs in 1991 of about four per cent. In 1992 wage costs are expected to rise by about 3.5 per cent. Wage rates in both years will rise by only about three per cent. With wages in competing countries rising by 6-7 per cent a year in the same period, Danish manufacturing exporters could gain market share for the first time in recent years.



The government, however, is the first to agree that the economy will not grow fast enough to make a significant dent in unemployment. An inflexible labour market means that even small reductions in unemployment send wage rate spiralling upwards. Hence, the government's attention is focused on reforms of the unemployment benefit system, although Mr Fogh Rasmusse has yet to find a majority in the Folketing for the kind of reforms he wants.

Therefore, the minister warns, the current account surplus does not mean that there is any room for easing up in economic policy. "On the contrary. If we are to achieve sustainable growth and an improvement in living standards it is essential that we resolve the remaining structural problems of the economy," he says.

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Pentagon develops new SDI rocket

By Peter Riddell, US Editor, in Washington

THE Pentagon is developing a nuclear-reactor powered rocket to carry very large and heavy loads above the earth as part of the Strategic Defence Initiative, or Star Wars, programme.

The previously secret project, codenamed Timberwind, has been disclosed by the Federation of American Scientists, an anti-SDI group. The administration has refused to comment publicly, though US newspapers yesterday reported private confirmation.

The rocket, still in early stages of development, would differ significantly from existing propulsion systems involving nuclear power generators because it would have a full nuclear reactor. This reactor would provide the power needed to lift very large weapons or satellites into space orbit, which cannot be done with existing rocket engines.

The federation has warned of the potential risks of accidents and radiation, especially in light of suggestions that a test flight of a rocket might be made near Antarctica.

The programme is apparently being assessed by the National Aeronautics and Space Administration as a possible means of propelling spacecraft travelling to other planets, such as Mars, within a much shorter time than with conventional rockets.

Inflation slows in Venezuela

INFLATION in Venezuela in *the first quarter of 1991* totalled 5.9 per cent, compared with 6.2 per cent for the same period last year, according to the central bank, writes Joe Mann in Caracas.

The government has predicted inflation of 20-25 per cent for the whole of this year, against 36.5 per cent last year and a high of over 80 per cent in 1989. The economy is to expand by 6 per cent or more this year, the government says, but the central bank has indicated it will use monetary measures to rein in price increases.

William Vander Zalm criticised over conflict of interest

British Columbian premier quits

By Bernard Simon in Toronto

THE outspoken premier of British Columbia, Mr William Vander Zalm, has quit after an official inquiry accused him of mixing private business interests with his public responsibilities.

Mr Vander Zalm made a name during his five years in office for his forthright condemnation of abortion and his open-door policy to Asian investment in Canada's most westerly province. He stepped down within hours of being criticised by the province's conflict-of-interest commissioner *for his role in the sale of his family*-owned amusement park, Fantasy Gardens, to a Taiwanese investor.

Vander Zalm, left, exits: his resignation may boost the declining fortunes of his Social Credit Party

Prior to Mr Vander Zalm's departure, it was almost a foregone conclusion that the next provincial election, which must be held later this year, would be won by the social-democrat New Democratic Party. The NDP, which is the most left-wing of Canada's main political parties, took office in Ontario last September and is also expected to win forthcoming provincial elections in Saskatchewan.

The resignation of Mr Vander Zalm is bound to revive the election hopes of his *Social Credit Party. He is succeeded for* the time being by Mrs Rita Johnston, the deputy premier. A convention to choose a new party leader is expected in June.

Mr Vander Zalm, a Dutch immigrant who made his fortune from a garden nursery business in Vancouver, was one of Canada's more colourful politicians. Until recently, he lived in a castle at Fantasy Gardens surrounded by a moat and overlooking a mock-Dutch village.

But his penchant for speaking his mind on issues as diverse as his strong religious beliefs and his disdain for social welfare cost *him* the resignations of 11 cabinet ministers and a series of by-election losses.

The inquiry into the sale of Fantasy Gardens concluded that the premier had violated his government's own conflict-of-*interest guidelines. Among other things*, the report criticised him for giving the Taiwanese buyers red-carpet treatment with government officials, and for intervening in his official capacity in the sale of an adjoining property to the same investors.

Mexico, Venezuela and Colombia plan free trade zone

By Damian Fraser in Mexico City

MEXICO, COLOMBIA and Venezuela plan to establish a free trade zone by July 1994, according to an announcement made yesterday in Bogota by the foreign ministers of the three countries.

The three countries already have close political links but these have only recently been translated into closer economic co-operation and trade between the three.

According to figures from the International Monetary Fund, in 1989 Mexico exported just $131m *to Colombia*, and $42m to Venezuela, one half of one per cent, and one fifth of one per cent respectively of its total exports. Trade between *Colombia and Venezula* is more significant; Colombia exported $237m to its neighbour (4 per cent of its total) and imported from it $185.7m (1.4 per cent of Venezuela's exports).

The three foreign ministers announced that they would initiate a high-level study to decide which goods would be excluded from the free-trade agreement. In the meantime they agreed to give free access to each other's ports, waters and shipping rights. They said they would work together to *promote tourism and cultural* exchange between the three countries.

Mexico is already in the process of negotiating a free trade agreement with Chile, Costa Rica and the other Central American republics. The impetus behind the agreements is said to come from the foreign ministry, which fears that Mexico is overly dependent on the US, with whom it hopes to have signed a free trade agrreement by next year.

The agreement differs from that reached on *March* 24 between Argentina, Brazil, Paraguay and Uruguay, which decided to set up a Southern Cone common market by the *end of 1994. Under the Group of* Three treaty each country will be free to set its own external tariffs with countries outside the agreement; under a common market each country agrees to abide by the same tariffs.

Venezula and Mexico are both considerably more protectionist than Mexico, and the impact of the trade agreement on them will be far greater. Since Mexico joined Gatt in 1986 it abolished import licencing, and cut maximum tariffs to 20 per cent.

Dollars and cents rule in Chicago

Barbara Durr on how good money management won an election

CHICAGO, said American writer Mr Saul Bellow of his home town, ". . . has earned the right to be considered the centre of American materialism".

And true to their dollars and cents pragmatism, Chicagoans on Tuesday overwhelmingly re-elected Mr Richard M. Daley, a mayor who sees his primary duty as good money management.

Mr Daley, who won a special by-election in 1989 after Mayor Harold Washington died in office, this week took over 71 per cent of the vote, according to preliminary figures, from a low turnout of only 46 per cent.

Mr Daley sees himself more *as a corporate chief* executive officer than a politician. "Better management in government, that's what people want. This is a major corporation and *they're sitting out there*, the shareholders, and they are saying, 'Hey, we want to make sure that this money is being spent wisely and fairly,'" said Mr Daley.

Apart from his own positive record in the last two years, Mr Daley has the benefit of instant name recognition. He is the son of Chicago's legendary political boss, Mr Richard J. Daley, who was mayor of Chicago for over 20 years.

The senior Mr Daley, a staunch Democrat, ran the last great US political machine.

But since his death in 1976, the Irish-American-dominated machine has declined, and the younger Mr Daley has been careful not to appear to be rebuilding it.

He has instead been trying to construct a fresh coalition of political forces with greater racial and ethnic variety than in his father's day.

Seven of the nine largest city department chiefs are from minority groups and Mr Daley has chosen Hispanics, Chicago's fastest growing minority, for key posts.

This comes after more than a decade of bitter political battles, many of them racially motivated.

The administration of Mr Washington, a *charismatic* black leader who was elected twice during the 1980s, had been especially prone to paralysis, in part owing to an unco-*operative city council*.

As a result, while Mr Washington's tenure gave the city's majority black population a sense of empowerment, it fell down on many basic services.

Mr Daley's chief strength has been to make the city work again while deftly avoiding political confrontations with minority groups.

He has also succeeded in making many residents feel that he is interested in their problems, even if a solution is not at hand. And in a vastly popular move, he has managed to lower the city's high property taxes.

Cutting back on bureaucracy seems to be his favourite sport, and he has privatised certain city services. The towing of abandoned vehicles, for example, was privatised, which prompted a doubling of the vehicles towed. He also put alcohol and drug abuse programmes in private hands.

Despite a tendency to speak in a garbled and badly mauled version of the English language, his success has been such that no other candidate has succeeded in mounting more than a fly-weight challenge *to him*.

Daley sees himself more as a corporate chief executive than as a politician

He easily defeated the Harold Washington Party black candidate, Mr Eugene Pincham, who took 25 per cent of the vote, and the Republican contender, Mr George Gottlieb, who trailed with only 4 per cent.

The Chicago business community has become an enthusiastic supporter. Mr Daley is unabashedly pro-business and is accessible to US business leaders and foreign investors.

Mr Daley has been helped by the buoyancy of Chicago's economy, which has come nearly unscathed through the US recession. But significant problems lie ahead.

Foremost is education. City schools are considered some of the worst in the nation and Mr Daley acknowledges that if Chicago cannot turn around its school system, the decline of the quality of the workforce will eventually prompt companies to relocate elsewhere.

To attract more investment he has proposed two big infrastructure projects – the construction of a third airport and an expansion of the convention and exhibition centre known as McCormick Place.

He also has proposed building a mass transit system in the central business district called the "Circulater". The mayor hopes these projects will help consolidate Chicago's status as a world financial centre, based in large part on its futures and options markets.

Yet, the most intractable problem for the mayor will be race relations. He has adroitly defused tensions so far, but he has also been lucky – Chicago has not had a major racial incident to galvanise the black community.

Depending on how he handles these thorny problems, Mr Daley, like his father, could be in office for a long time. So far, his political ambitions seem only to reach as far as city hall.

Hopes rise of easier US credit

By Michael Prowse in Washington

HOPES that the US "credit crunch" will ease soon were lifted yesterday by a Federal Reserve survey showing a reduction in the proportion of US banks tightening credit standards.

The Fed's latest survey of bank lending officers shows that about 25 per cent of domestically-chartered banks tightened credit standards for commercial and industrial loans in the six weeks to mid-March.

In a previous survey covering the three months to late January, a third of respondents reported a tightening of credit terms.

No respondents, however, reported an easing of credit standards.

The proportion of domestic banks reporting a tightening of credit standards for commercial real estate loans fell from about 50 per cent to just *under 25 per cent in the latest* survey. The proportion reporting tougher standards for loans for residential mortgages fell from one-third to about 15 per cent.

The proportion of foreign banks tightening credit standards on US loans also fell. Foreign banks, however, remain more cautious than domestic banks.

INTERNATIONAL NEWS

US adheres to list of Iraqi front 'agents'

By Our Foreign Staff

THE US Treasury is sticking by its list of 89 businesses and individuals named as fronts and agents for the Iraqi government despite claims by many of those listed that they are innocent of the charges.

In spite of evidence that some of the named companies are no longer at the addresses listed, a US Treasury official said yesterday that the addresses were the last known ones and said the Treasury believed the list was accurate and was sticking by it.

US officials seemed surprised at the extent of the criticism of the list, especially in Britain, where 31 of the 52 companies are based.

Mr John Robson, Treasury deputy secretary, has said people feeling they have been treated unjustly can apply to its Office of Foreign Assets Control to have their names removed if they can prove no involvement on behalf of Iraq.

Three of the British-based companies named in the US list yesterday issued formal letters of complaint to Britain's Department of Trade and Industry, thus joining a growing list of businesses that consider themselves wronged by their inclusion on the list.

The companies are Keencloud, Atlas Air Conditioning Company Ltd and Atlas Equipment Company, which have issued complaints through their solicitors for wrongful representation.

The address of two of these companies, Atlas Equipment Company and Atlas Air Conditioning, was given incorrectly by the US Treasury.

Mr David Wilshire, Tory MP for Spelthorne, said he had received a protest from Sollatek, another company on the list. He said: "They are jumping up and down like fury protesting their innocence. Every time we have approached the US embassy demanding an explanation we are told that this is a security matter and that Washington has not told them the reasons."

Meanwhile confusion continues to surround other companies on the list, including one named as Dominion International, London, England.

Until now attention has been focused on Dominion International Group, a UK-based financial services and property company to which administrators were appointed in January 1990. Its administrators and former directors say they have no links with Iraq.

Yesterday it emerged that another company called Dominion (England) also exists. This company is a UK group whose ultimate holding company in 1988 was Dominion International SA of Luxembourg and which traded extensively with Iraq before the imposition of the UN embargo.

According to Dominion (England) director Ms Sandra Kane, this company had supplied spare parts for Toyota and Nissan cars and other items including polypropylene and food for Iraq. She said yesterday there was nothing illicit in its dealings and the "Dominion International in those lists is not us." She added: "We stopped trading when the embargo was enforced. The Department of Trade and Industry knows all about our business and no-one has contacted us in this respect."

Parallels have been drawn in Washington with the controversy which developed two years ago after a similar naming of fronts and agents acting for Panamanian leader General Manuel Noriega. In spite of the protests then by those named, no one proved that they had not been involved.

Those named as Iraqi fronts are in effect being blacklisted by the US government since it is illegal for American citizens to have any dealings with the named companies and people unless specifically licensed by the Treasury.

These restrictions have been imposed under the terms of the executive order by President Bush freezing Iraqi assets of August 2 rather under the economic embargo imposed by the United Nations Security Council later that month. In that respect the action is a specifically American move.

Britain's DTI last night repeated its view that any company that felt itself wronged by their inclusion on the list should take the matter up with the US government.

S Korean trade gap widens to $2.7bn

By John Ridding in Seoul

SOUTH KOREA'S current account deficit widened to $2.72bn (£1.56bn) for the first two months of 1991, more than the deficit for all of last year and already in excess of the targeted deficit for this year, the Bank of Korea announced yesterday.

But the central bank said that there were signs of recovery in the country's exports and it is sticking to its full year target of a $2.5bn deficit.

"The first two months have been special cases because of sharply higher imports of oil and transport equipment," said a spokesman for the bank. "With exports beginning to pick up we should move back towards monthly surpluses."

In February, the current account deficit amounted to $1.27bn, a slight improvement from the $1.45bn shortfall recorded in January. The central bank estimated that the deficit would be about $900m in March, giving a first quarter deficit of $3.6bn. In 1990, the full year deficit was $2.18bn.

The February shortfall was the result of a sharp increase in imports which rose by 25.5 per cent to $6.16bn. Crude oil imports hit a monthly record of $906m, while imports of aircraft and transport equipment also rose sharply.

Exports rose by 6.2 per cent to $4.8bn, led by improvements in chemicals, electronics, and steel. But light industrial exports, such as textiles and footwear, suffered their first decline since 1982.

South Korea's deficit with the US hit a monthly record of $272m in February. Korea also had deficits with Japan and the EC of $638m and $134m respectively.

Yesterday South Korea recorded a trade deficit of $1.5bn in March, the third consecutive month of deficit, the Trade and Industry Ministry announced.

The deficit marked a 70 per cent increase on that of $669m a year earlier.

However, the March deficit was the narrowest of the past three months. The trade gap totalled $1.57bn in January and $1.73bn in February.

The trade deficit for the first quarter now totals a record $4.45bn – already 63.6 per cent of the government's original year-end deficit projection.

Officials said the country's trade balance was likely to improve in the latter half of the year when exports are expected to rise with an improvement in the world economy, including that of the US, following the end of the Gulf war.

US and Japan try to bridge a widening gulf

By Stefan Wagstyl in Tokyo and **Peter Riddell** in Washington

PRESIDENT George Bush and Mr Toshiki Kaifu, the Japanese prime minister, are due to meet in Newport Beach California later today for the first top-level bilateral meeting since the Gulf war.

President Bush sees the meeting as a chance both to underline close US/Japanese relations after the strains of the Gulf war and to stress continuing US trade worries.

For Mr Kaifu, the trip to Newport Beach will be an opportunity to try to regain Washington's trust and respond to American criticism of Japan's policy during the crisis.

In a rare move for a Japanese prime minister, Mr Kaifu will submit to interviews by American journalists in an attempt to appeal directly to American people.

He will try to answer charges that Japan was lukewarm in its support for the US-led coalition by pointing to Tokyo's $11bn (£8.33bn) contribution to military costs and by explaining the pacifist nature of Japan's constitution.

For its part the Bush administration does not want to revive the strains over the Gulf crisis in spite of congressional criticisms of Japan for being slow in making and disbursing its promised contribution. These have been underlined by Japan's refusal to compensate the US for the reduced dollar value of its Yen denominated pledge resulting from the rise in the US currency. The gap is roughly $500m.

A senior Japanese foreign ministry official said yesterday that Mr Kaifu's visit was intended to smooth relations which had been soured on both sides in the past half year.

But Japan fears that political pressures could force Mr Bush to be more aggressive on economic issues than he might otherwise be. Hence the importance Japanese officials have attached to Mr Kaifu's planned media appearances.

Mr Bush wants to look beyond these tensions. He will discuss peace moves in the Middle East as well as Japan's possible role in reconstruction in the region and elsewhere. This is part of what the White House calls the US/Japan global partnership, in which Washington has sought to involve Tokyo more in non-regional issues, though the Kaifu government's hesitancy over the Gulf war was a setback.

The Japanese hope Mr Bush will refer as little as possible to bilateral disputes. They would like the conversation to range freely on issues such as President Gorbachev's forthcoming visit to Japan, the future of the General Agreement on Tariffs and Trade and Japan's role in the global partnership.

Nevertheless, Japanese officials fear the president is bound to raise some specific difficulties.

The most sensitive trade issue on the agenda is Japan's ban on rice imports, which the US wants removed. Japan argues that the ban is a subject for discussion at the multilateral trade talks of the Uruguay Round of Gatt.

Washington's determination to maintain the pressure on Japan was highlighted, however, by the arguments earlier this month over the display by American farmers of US-grown rice at a Tokyo trade fair.

With an eye on an agitated congress, US officials have recently taken an increasingly tough line towards Japan on a range of issues including semi-conductors, the access of US construction groups to the Japanese market and requests for faster deregulation of Tokyo's financial markets. There has been limited progress on some of these questions.

But Japanese officials say that Mr Kaifu will not go bearing gifts, nor will he make any promises he cannot fulfil – on rice or on other issues.

The Foreign Ministry official said too often in the recent past Japan had raised American expectations only to cause disappointment later – notably by the public discussion of the possible despatch of non-combatant personnel to the Gulf. There had been too much "big talk", said the official.

Japan will strive to increase imports to help shrink its large trade surplus with Washington, Mr Eiichi Nakao, minister of international trade and industry told Mr Robert Mosbacher, US commerce secretary, Reuter writes from Tokyo. Mr Mosbacher is here for two days of bilateral trade talks beginning today.

US Commerce Secretary Robert Mosbacher (left) shares a laugh with Japanese Prime minister Toshiki Kaifu in Tokyo yesterday

A softer Gandhi woos India's largest state with flowers

David Housego reports from Lucknow on the ex-PM's campaign

Ashley Ashwood

Rajiv Gandhi: again drawing enthusiastic crowds

IN WHAT are still early days in India's general election campaign, the most significant trend to have emerged is that Mr Rajiv Gandhi, the Congress leader and former prime minister voted out of power 15 months ago, is again drawing large, enthusiastic crowds.

At meetings over the last three days in his constituency of Amethi in the northern state of Uttar Pradesh (UP), he has been swamped by villagers anxious to see and hear him.

Abandoning his normally heavy security precautions, he has tossed flowers back into the audience, laughed and exchanged jokes in an effort to shed his image of upper caste aloofness. With his Italian wife Sonia at his side, he has driven himself along hot, dusty roads in a station wagon – projecting an image of concern by stopping at crossroads or village tea-houses to hear people's problems.

In the last election Mr Gandhi faced thin audiences and stony faces even in his own constituency. Under strong advice from Congress party elders, he has this time changed his approach to a more personal and spontaneous style of campaigning.

Indian Elections

While it is too early to know how crowd response will translate into votes, the immediate impact of his reception in UP has been to boost the depressed morale of the Congress party which feared it might be squeezed into second or third place in the new parliament.

"The situation is vastly different to what it was three weeks ago," says Mr N.D. Tiwari, the Congress leader in the state and a former Indian finance minister. Party morale revived sharply last week when Mr Gandhi, on his first tour of UP, met unexpectedly large and enthusiastic crowds in the industrial town of Kanpur and in Jhansi.

Senior party officials had earlier feared that his UP tour would be a flop. In short speeches, Mr Gandhi puts across a simple message that only a Congress government can offer political stability. He says that the last two non-Congress governments – in 1977 and 1989 – lasted under two years. The importance of the Congress gaining ground in UP is that it is the largest state in the union and thus plays a crucial role in the election.

Both the Hindu radical BJP and the Janata Dal have so far run low-profile campaigns in the state. Congress none the less, is not sufficiently confident of its strength to fight single-handedly there.

It is negotiating an alliance with Mr Mulayam Singh Yadav, the dissident Janata Dal chief minister, who has a strong influence with the Moslems and the farmer castes. Moslems account for 20 per cent of the state's 120m population. In the 1989 election they turned against Mr Gandhi because of what they believed was his implicit support for the construction of a Hindu temple at Ayodhya, which is also in Uttar Pradesh.

Thatcher joins calls for humanitarian aid

By Ralph Atkins

MRS Margaret Thatcher, former UK prime minister, last night joined calls for immediate humanitarian help for Kurds and other Iraqi dissidents, adding to the pressure on the British government to increase its aid provision.

As the government signalled its willingness to consider such requests, Mrs Thatcher said it was not a time for "legal niceties". It should "not be beyond the wit of man to get planes there with tents, food and warm blankets," she said.

Her comments, insisting it was a "real mercy mission", followed all-party pleas for swift action to aid the casualties of Saddam Hussein's crackdown.

The Foreign Office said it was "concerned" at the plight of Kurds in northern Iraq and of the Shia population in the south. Its efforts focused on "early action" by the UN. The UK had already given $10m (£5.6m) aid to international agencies to help civilians in all parts of Iraq.

Britain said on it would consider requests for more aid to Iraqi civilians, including the Kurds, from non-governmental organisations.

The Kurds were "yet further casualties of Saddam Hussein's inhuman policies which are aimed wholly at the preservation of his position at any price," the Foreign Office spokesman said.

Around 100 Kurdish men, women and children gathered outside the U.S. embassy in London to vent their anger against Bush's policy.

For Labour, Mr George Robertson, foreign affairs spokesman, called for urgent action, within international law, "to help those who have risen against Saddam's regime". Aid should be given to neighbouring countries to allow them to take refugees.

Philippines expects $519m in fresh aid this year

By Greg Hutchinson in Manila

THE Philippines expects to receive $519m in fresh overseas development assistance this year, according to official budget documents.

The amount compares with $3.3bn pledged by Philippines aid donors and creditors in Hong Kong in February. As there is a lead time, the flow of aid will rise next year.

The impact on the budget for this year will be a positive 15.3bn pesos, using the government's projected average exchange rate for the year of 29.50 pesos to the dollar.

The inflow is expected to shore up further the budget surplus that has been in evidence since February as well as the peso, at least until the government scraps its temporary revenue-generating but export-inhibiting, 9 per cent import levy.

The country has been grappling with a consolidated budget deficit of more than 50bn pesos, some 5 per cent of gross national product, but the nation's prospects of trimming the gap rose markedly when oil prices slid and the country received the seal of good house keeping and fresh loans from the International Monetary Fund in January-February.

The Philippine peso, which fell 20 per cent against the generally depreciating dollar last year, has remained stable so far at 28 to the dollar, with the black market differential progressively shrinking to the point where it is now poised to go below the official rate.

In early January, the black market rate was 31.5.

Official documents from the Department of Budget and Management forecast that 85 per cent of the Hong Kong pledges would be "actually committed in 1991," of which 70 per cent would be in the form of programme loans while 30 per cent would be in the form of project loans.

Projected inflows from programme loans is placed at $421m or 12.412bn pesos, while inflows from project loans is seen at $98m or 2.896bn pesos.

By donor and creditor, Japan is expected to disburse within the year a total of $204m or 6.031bn pesos out of its aggregate pledge of $1.3bn, followed by the World Bank with an expected disbursement of $110m out of its total pledge of $700m.

Kabul lays low on Khost

THE Afghan garrison captured by mujahideen guerrillas four days ago was reported quiet yesterday with no sign of a promised government effort to recapture the city, Reuter reports from Islamabad.

Mujahideen sources in the Pakistan frontier city of Peshawar said the government fired three Scud missiles on Tuesday but they fell harmlessly outside the garrison.

The capture of Khost by the rebels on Sunday was a morale boost after two years of political and military stalemate in the 12-year-old Afghan conflict.

Mr Ahmad Sarwar, Afghanistan's ambassador to India, vowed on Tuesday that Khost would be retaken soon and reiterated Kabul's charge that Pakistani forces played a decisive role in the battle.

Western diplomats in Islamabad said the Afghan government had reinforced Gardez city which lies between Khost and the capital Kabul, but had detected no sign it was preparing a counter-offensive.

A special sitting of parliament in Kabul declared on Tuesday that the assault on Khost, 15 miles from the Pakistan border, had done nothing to change the military balance.

Air power remains a key advantage for the Soviet-supported government of President Najibullah.

France takes Malaysian initiative

By Lim Siong Hoon in Kuala Lumpur

MR Tony Dreyfus is the most senior French official to visit Malaysia in many years. The arrival of the minister of state marks the final stages of a French regional initiative, the country's most vigorous since its ignoble retreat from Vietnam more than 35 years ago.

Mr Dreyfus's visit was part of a tour, which also included Vietnam, intended to gauge the local response to a revival of French interest in south-east Asia. Malaysia would provide the focal point of such a policy.

The general Malaysian view of France is skewed, often limited to cognac and fashion. Trade volume is small – smaller, for example, than with the Netherlands.

Nevertheless, Thomsom CSF, the French electronics group which employs 16,000, is one of the biggest foreign employers. Another French company, Transroute works closely with United Engineers – a construction group controlled by the ruling United Malays National Organisation party – on road engineering projects.

France wants to build a "new presence" in the region and keep active communication links with Europe, according to one western diplomat. Otherwise, he said, France risks committing the "deadly error" of leaving the region to Japan and Taiwan.

Commercial goals aside, Mr Dreyfus said – in a halting mix of French and English – that he hoped more Malaysians would in future learn to speak French and study management in France.

Malaysia has become "essential" to France's regional ambitions, partly because, according to Mr Dreyfus, "it is easier to co-operate on the economic plane if there are no political differences".

In Malaysia, France is seen as closer to the Islamic world than other western powers; both countries shared a common view of the Gulf crisis, particularly before Allied troops were sent in. Mr Dreyfus believes Malaysia to be one of the region's "more balanced countries", in comparison with, say, Singapore's pro-US stance, or the pro-Soviet leanings of Vietnam.

France's initiative fits neatly into Malaysia's own policy goals, spelled out recently by Dr Mahathir Mohamad, the prime minister. "In international relations," he said, "the emphasis should be less on politics and ideology but more on economic imperatives."

Those imperatives have moved Malaysia closer to former ideological foes such as Burma or Vietnam. For the first time, local capital and management are beginning to flow into such countries.

Among such ventures have been edible oil refining and oil exploration in Vietnam, banking in Fiji and logging in Papua New Guinea.

Malaysian companies, such as Petronas, the state-owned oil and gas group, and Golden Hope – formerly Harrisons Malaysian Plantations – are keen that such offshore markets grow, particularly in view of stiff competition elsewhere.

Dr Mahathir's willingness to respond to the French initiative is reflected in his argument that the country needs to "marshal influence and create coalitions in the international economic arena".

France could help Malaysia establish new relationships with industrial nations in the non-English-speaking world. Malaysia's relationship with its former colony, the UK, has been somewhat rocky. Its patchy relationship with Australia, after intermittent periods of sourness, has now entered another trough. Similarly, while the US has discouraged Malaysia's proposals for an East Asian Economic Grouping, Mr Dreyfus has warmly welcomed them. On the environment too, the French government shares Malaysia's approach, according to Mr Dreyfus.

Precisely how such a convergence of Malaysian and French interests will develop is as yet unclear. However, the commercial benefits are already encouraging, particularly for France.

Last February, Chantiers d'Atlantique, the only French shipbuilder, won Malaysia's single largest foreign supplier contract for five liquid natural gas tankers. According to one western businessman, the $1.5bn Petronas deal, was not necessarily without its "political significance".

Chantiers may have won the contract because it met all the client's specifications and promised a shorter delivery time. However, it was the lone outsider against five bidders from Japan, the sole importer of LNG and a big shareholder in the LNG processing plant. Japanese executives acknowledged their surprise of Chantiers' success.

Mr Dreyfus said his visit to Malaysia was basically political. But in his rounds to the various ministries, including finance and defence, business was also on the agenda.

Such discussion involved equipment for telecommunications, power generation and water treatment, as well as military hardware, French investments and landing rights at French airports.

WORLD TRADE NEWS

Boeing spots demand for eastern European travel

The airline forecasts a sharp rise in aircraft sales and leasing in the region, writes **Anthony McDermott**

VIENNA might seem a little outdated as the European capital from which to launch a foray into eastern Europe, but Boeing recently chose the Austrian capital as the base from which to publicise its campaign to capture a slice of the newest market for airliners.

Malev Hungarian Airlines is shortly to receive on lease from GPA, the Shannon-based group, its first Boeing 737-300, and in February announced it was to buy direct two 767-200s.

It is this interplay between leasing aircraft and direct purchases, according to Mr John Hayhurst, Boeing's marketing vice-president, which could make the eastern European market worthwhile.

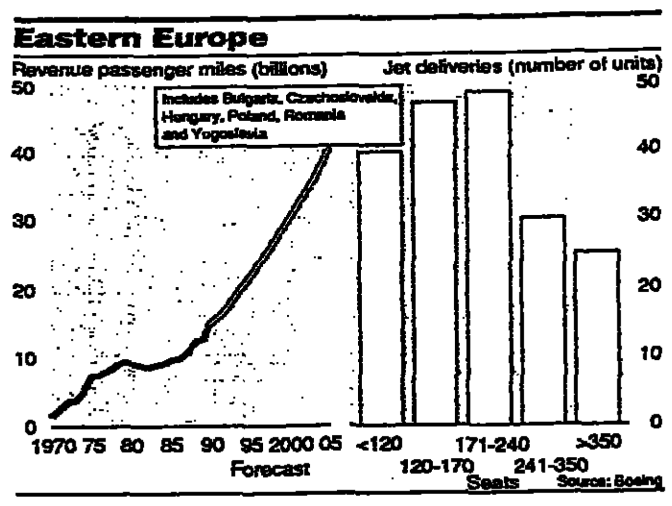
As the world's largest manufacturer of commercial jets, Boeing's historical share of the world market between 1947 to 1990 – at constant dollars – has been 56 per cent. Boeing sets much store by the introduction of the 777 twin-engined wide-body airliner as a means of maintaining its share of the market.

On a global scale, eastern Europe is likely to account for only 2.5 per cent of Boeing's sales and its growth rate will be outstripped by those of the Newly-Industrialised Economies of Asia. But, as he points out, according to revised forecasts for sales to eastern Europe to the year 2005, this share amounts to around $15bn out of $617bn – "and that's a lot of money by almost anybody's standards". It is, furthermore, a market which had not hitherto bought western aircraft on any sizeable scale.

Boeing's eastern European forecasts cover Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia, but not the Soviet Union. Revenue passenger miles (the number of passengers times the number of miles they fly) are due to rise from about 15bn in 1990 to just over 40bn in 2005. Jet aircraft deliveries of all sizes between *1991-2005 are to total over 180*, reaching a peak in about 1996, according to Boeing.

The forecasts concentrate on these six countries because, according to Mr Hayhurst, Boeing has experience of selling its aircraft to eastern Europe dating back two decades. This provided the basis for credible forecasting, while, according to *Mr Hayhurst, "the number of* western-made airplanes sold to the Soviet Union you could count on one hand".

The Gulf war and recession have forced Boeing to revise their long-term forecasts. Worldwide air traffic growth for this and next year were initially put at 7 per cent. These have been revised to 2.9 per cent for this year and 4 per cent for next. "We'll be back to the long-term trend in traffic growth relatively quickly", he said.



The 15-year aircraft forecast has been reduced from 9,210 to 8,850, but the overall value has shifted only slightly from $630bn to $617bn. Some of the smaller aircraft have been taken out of forecasts and replaced by larger versions. With a view to reducing air traffic congestion, he saw the trend towards more passengers on individual aircraft. "Today, the average jet airplane has 185 seats. By the year 2005, the number will be 233 seats."

These developments will also effect estimates for central Europe, which made an average world airline growth contribution of 9.7 per cent between 1970 and 1990. But for *the following* decade it was put at 5.8 per cent.

On the 15 year forecast, Mr Hayhurst says, "the perception that there's a lack of money may be a matter of the current condition as opposed to any long-term trend".

In addition, Mr Hayhurst argues, financial institutions have tended to set more store by the asset value of specific aircraft as opposed to the specific creditworthiness of an airline. He cited the examples of direct finance for the purchase by the Polish airline LOT of 767s, and the experience of Balkan, Bulgaria's airline, in leasing 737-500s from Ansett.

For the moment, although worldwide Mr Hayhurst estimates that cargo traffic will grow at a faster pace than that of passengers, this is not likely to apply yet to eastern Europe. He says there is "a pent-up demand for travel" going hand-in-hand with political developments. The development of tourism will be a focus and therefore make the acquisition of a passenger over a cargo aircraft "a priority".

The economic development of central and eastern Europe and the closer co-operation between east and west is likely also to increase traffic demand for business travel.

All these factors, taken with the desire of these six east European countries to modernise their fleets, made the market more accessible to western aircraft. With a dig at the Soviet Union, he said, "most western people have much more comfort flying on a Boeing aircraft than on an Ilyushin".

The strategy would seem to be to build on the desire to generate more hard currency, perhaps initially more through leasing than direct sales. He said "the leasing companies are here to stay. I don't think they will buy a significantly higher proportion of production than they have in the last several years. But they will play a vital role in the placement of airplanes in eastern Europe."

If these airlines proved successful at running their western-equipped fleets "then *through* their reserves build up they could attract financial institutions" for direct purchases.

But the Malev deals did not represent an exclusive pattern for LOT's acquisition of 767s showed. "We like to find an arrangement that would be attractive to specific customers – each one is different."

Malaysia steel mill contract goes to Italy

THE government-owned Perwaja Steel group of Malaysia has awarded a Ringgit 400m (£82.5m) contract to Danieli of Italy to build a rolling-steel mill, AP-DJ reports from Kuala Lumpur.

Under the present schedule, the rolling mill will begin production by November 1992 and reach an output of 450,000 metric tons of steel bars and wire in three years, Perwaja said. The mill's eventual production will be worth Ringgit 400m-450m a year.

Perwaja, Malaysia's biggest steel plant, is in the middle of a *reconstruction programme*, initiated to overcome problems that have kept the facility running at a fraction of capacity.

Late last year, Perwaja arranged for more than Ringgit 1bn in financing to cover its reconstruction and expansion. An extra Ringgit 300m direct loan from the government will cover the cost of the new mill, Perwaja said.

The rolling mill is designed to produce high-quality engineering steel, suitable for use in making cars and other machinery.

Austrian-led group to finance Polish hotel and office complex

By Judy Dempsey

POLAND'S Baltic port of Szczecin will receive a big facelift over the next two years, following an agreement by an Austrian-led international consortium of banks to finance the building of an important hotel, office and shopping complex.

Girozentrale, Austria's second biggest bank and the agent of the international banking syndicate, has signed a Sch 1.5bn (£70m) loan with Pazim Joint Venture, an east-west joint venture company set up *to oversee the Szczecin project.*

Pazim's two partners are the Polish Steamship Company (PZM), Poland's biggest shipping company, which will hold *74 per cent of Pazim, and* Ilbau, the Austria-based building group, with a 26 per cent share.

Pazim Joint Venture will manage the office buildings of the complex, and the hotel will be managed by Radisson Hotel Corporation.

Like other leading Austrian banks, Girozentrale has been cautious about financing large contracts in eastern Europe, largely because the countries of eastern Europe owe Austria a total of $15.1bn (£8.5bn).

Following the collapse in 1989 of the communist system in the region, Viennese banks *have tended to finance small* and low-risk ventures, especially in Hungary, Czechoslovakia and the Yugoslav republic of Slovenia.

In the case of the *Szczecin* project, Girozentrale's risk exposure is likely to be minimal because of its previous experience in financing/constructing hotels in Poland, as well as the ability of most investments in hotel projects in eastern Europe to create a quick turnover.

Analysts at Girozentrale believe Szczecin, a big industrial centre bordering Germany, with excellent links to Scandinavia, but with an under-developed infrastructure, is an attractive investment.

The bank and LOT, Polish Airlines, formed a joint venture to finance the Marriott hotel in Warsaw, which was completed in 1989 and which increased orders to the Austrian construction industry and its ancillaries by Sch 1bn.

French win Bolivian gas contract

SOFREGAZ, the engineering and consulting unit of the French state-owned utility Gaz de France, has won a FFr80m (£8m) contract to build a natural gas distribution system in Bolivia, it said yesterday, AP-DJ reports from Paris.

Financed by a French foreign aid credit accorded through a 1989 agreement, the contract involves furnishing equipment and supervising construction in four Bolivian cities. Bolivia will also contribute FFr40m.

New Brazil airline flies today

By Paul Abrahams

AIR BRASIL, a new airline, will be launched today as a joint venture by TNT Sava, the Brazilian subsidiary of TNT Worldwide, and Lider Taxi Aereo of Belo Hoizonte.

The airline has leased three BAe 146-200 aircraft with which it plans to operate a shuttle between Rio de Janeiro's Santos Dumont airport and *São Paulo. It will also fly* to Belo Hoizonte.

The 146 is the only commercial jet capable of taking off from short runway at Santos Dumont with *a full load*, according to British Aerospace.

The company claims the operations there will set a precedent for other inner city airports such as London City and Toronto Island. A planning inquiry to extend London City's runway to accommodate BAe 146 jets should report its findings this summer.

Air Brasil plans to increase capacity on its routes next July by replacing the leased aircraft with three BAe 146-300s. *These can carry 100* passengers.

BAe says it has taken 300 orders for the BAe 146 which is designed to operate from short runways with the minimum of noise and emissions.

Latin America *anxious to* boost Japanese investment

LATIN America is anxious to attract more investment from Japan, which lags behind the US and the EC as an economic player in the region, Mr Enrique Iglesias, president of the Inter-American Development Bank (IADB), said yesterday, Reuter reports from Tokyo.

"We are not satisfied with trade or investment and we need to improve both," Mr Iglesias added.

"Japan is not very important in trade (in Latin America) and that is our problem." Although Japanese investment had been rising in Chile, Mexico, Brazil and Venezuela, "we see potential for much, much more".

The IADB, which funds *development programmes in* Latin America and the Caribbean, is holding its annual conference in Nagoya, Japan, on April 7-9, the first time the bank has held such a meeting in Asia.

"They (the Japanese) do not know the market. That's what they tell me. They have other priorities. East Asia is a very important priority," Mr Iglesias declared.

The debt crisis of the early 1980s and the ensuing economic upheaval in Latin America had put off Japanese investors, but the IADB meeting gave an opportunity to publicise the free market reforms that have taken hold in the region.

"The instability of the 1980s was not good for private *investment from Japan*," Mr Iglesias said. "We want to tell people things are changing."

Japan machine tool maker sets up UK technical centre

By Andrew Baxter

MATSUURA Machinery of Japan has set up a technical centre in the UK to help develop its European sales of *sophisticated machining centres* – large machine tools performing a variety of tasks.

Initially, the facility will offer spare parts and technical information to bolster the service offered by Matsuura's agents in Europe. Similar ventures by Japanese machine-tool builders have led to full-scale assembly overseas, and the *European manufacturers will* be watching the project closely.

Japanese producers were the most successful in capturing world markets in the 1980s, based on volume production of standardised machines for export. Matsuura is a more specialised producer with a reputation for high-speed machines.

Matsuura chose the UK *for* its technical centre partly because of its confidence in its UK distributor, Beaumont Machine Tools of Coalville, Leics. Beaumont has been marketing, installing and servicing Matsuura machines for over *two* years. Mr Jeremy Gough, Beaumont's managing director, will head the technical centre, launched this week with an initial staff of about six.

The UK was also chosen because of its aerospace market – the biggest user of Matsuura's machining centres. The company's decision was influenced by advice from Sir Hugh *Cortazzi, former British ambassador* to Japan.

Japan is the world's largest producer of machine tools and overtook Germany in 1989 as the biggest single importer into the UK.

Japanese exports to the EC account for about 7 per cent of the regional market, the world's largest, but there is *also significant local production* by Japanese companies. In the UK, the biggest Japanese producer is Yamazaki.

Belleli awarded Dutch topside platform order

BELLELI, the Italian engineering group, has won a *L80bn* (£36.64m) order from Nederlandse Aardolie Maatschappij (NAM), a Shell-Exxon joint venture, to build topsides facilities for a new production platform in the Dutch sector of the North Sea, Haig Simonian reports from Milan.

The 7,000-ton structure marks the first order for any Italian platform-builder in the *Dutch market. Topside facili*ties comprise a single integrated deck containing oil and gas extraction plant. Last year, Belleli won an order from Amerada Hess to build a drilling deck for a platform in the Scott field of the North Sea.

● Intermarine, a US shipbuilding subsidiary of Italy's Montedison group, has won its third order for a glass-fibre minesweeper from the US Navy. The first of the vessels, costing an average $75m (£42.8m), was launched last month from the company's Savannah, Georgia, yard.

Fujikura-Pirelli cable deal

FUJIKURA, Japan's fourth biggest maker of electric wire and cables, has reached agreement with Pirelli of Italy to form a joint venture for making and selling electric cable connectors for telecommunication system cables, Fujikura said yesterday, AP-DJ *reports* from Tokyo.

The Pirelli Servocavi joint venture, to be based in Livorno, Italy, will be set up around May, on receiving *government* approval.

The venture will be capitalised at L2.5bn (£1.14m), with Pirelli holding 51 per cent and Fujikura 49 per cent.

Officials said the new company will be the first joint venture formed between Japanese and Italian electric cable makers.

Output of "heat shrinkable sleeves" to connect telecommunications cables is due to start next year, with an initial annual sales target of L15bn.

The product will be sold throughout Europe, except in Ireland and the UK.

UK NEWS

Travel industry seeks new levy on all bookings

By David Churchill, Leisure Industries Correspondent

THE BRITISH travel industry yesterday called on the government to impose a levy on all holiday bookings as an additional money-back guarantee for travellers booked with companies which cease trading without adequate financial safeguards.

The Association of British Travel Agents told the government that it could not be expected to provide an indefinite guarantee that it would meet all the liabilities of travel companies which go out of business.

"It's our problem at the moment, but the government can't expect us to go on for ever to bail out travel firms in trouble," said Mr John Dunscombe, Abta's president.

Mr Dunscombe yesterday wrote to Mr Edward Leigh, consumer affairs minister at the Department of Trade and Industry, urging the government to impose a one per cent consumer levy on holidays.

This would add about £7 to the price of an average package holiday costing £350 and would raise some £20m in the first year.

"This would provide the consumer with a long-stop guarantee to ensure they get their money back when travel firms go out of business but are not covered by existing bonding arrangements," said Mr Dunscombe.

His letter is aimed at placating the Abta membership, which is angered by its leadership's decision to impose a levy on them to replenish its finances following the recent failure of several travel companies.

Many members reportedly believe they should not be expected to pay for the liabilities of tour operators who do not have financial safeguards.

Abta's 3,000 travel agency members yesterday received a letter asking them to pay an extra 25 per cent of their annual subscriptions now and a further 50 per cent in July. This follows a 25 per cent levy imposed last January.

This levy, along with one for the 700 tour operators in membership, will bring in £2.1m over the next six months. Abta says it is also increasing its insurance cover to £7m to cover further failures.

Abta hopes the government will be forced to impose a levy under a new EC travel directive, due by the end of next year.

This requires travel groups to satisfy their governments that they can repay consumers if they cease trading.

Council settles swap dispute with bank

By Tracy Corrigan

HAMMERSMITH and Fulham Borough Council, the London local authority at the centre of a two-year court case on interest rate swap agreements, has reached an out-of-court settlement with one of the banks involved.

Hammersmith still faces 11 outstanding writs from banks seeking to recover sums paid to the council under swap agreements. The bank with which settlement was agreed had not issued a writ against the council. Details of the agreement were not disclosed.

Hammersmith is willing to discuss settlement with other banks, but is not currently involved in any negotiations, an official said.

Swap agreements entered into by councils were ruled invalid by the House of Lords earlier this year. The 80 banks were involved in swap transactions with 130 local authorities and face losses of more than £500m as a result of the decision.

For most of the 1980s, many councils were active in the swaps market, where they exchanged fixed-rate and floating-rate interest payment flows. Some, like Hammersmith and Fulham, used the market to speculate on interest rate movements, but misjudged the swings of the markets.

In the wake of the Lords ruling, many banks vowed to seek restitution, a legal process which allows them to recover payments made to local authorities, but not to retrieve notional sums owed by the authorities under the agreements.

The Hammersmith settlement is the second since the Lords ruling. In March, Ogwr council in south Wales reached an out-of-court settlement with Citicorp, the US bank, just before a case for restitution was due to be heard. The settlement included a full repayment of net principal payments between Citicorp and Ogwr on both open and matured contracts, and interest relating to those payments, totalling more than £1m.

Last Thursday, Mr Norman Lamont, the chancellor of the exchequer, met the British Bankers Association to discuss the issue. Earlier in the week, Mr Robin Leigh-Pemberton, the governor of the Bank of England, put his weight behind the campaign for retrospective validation of the contracts, which would allow councils to honour swap agreements.

But retrospective legislation is politically unpopular, and the government may instead decide to simplify the process for restitution.

Evans: challenging British reluctance to haggle

Making a living at the art of haggling

MR LEIGH Evans has found his meal ticket for the recession. He bargains with suppliers on behalf of businesses which lack the confidence or chutzpah to haggle for themselves.

Mr Evans takes the last price offered by a supplier and goes in to bat for his client. He is paid 35 per cent of any additional savings he achieves through negotiation.

"The idea is perfectly simple," says Mr Evans, a 30-year-old former advertising executive and general manager of a company selling storage and materials handling systems. "If I don't save anything, I don't get anything."

The first deal six months ago paid the annual overheads of his company, Evans-Munday Associates. Now discussing deals worth millions of pounds, he can afford to describe a £10,000 contract, the smallest he accepts, as a loss leader.

"I am trying to challenge the reluctance to haggle over prices which is central to the British character. Negotiation is a difficult thing for the British to do because it involves conflict. British people traditionally will do anything to avoid conflict."

The traditional purchasing approach is simply not hard-nosed enough for him. "Competitive tendering is an essential pre-requisite, but negotiation is absolutely critical if you're going to get the best value."

He argues that negotiation is especially important in the current economic climate. "Purchasing people can have a greater effect on profits than sales people in a recession because all savings fall straight through to bottom line."

Part of his negotiating technique, in fact, is to keep things deliberately formal. "I don't have suppliers calling me by my Christian name – it's always Mr Evans."

He has haggled for computers, cars, insurance policies and contracts with employment agencies. But he is wary of pushing a negotiation too far.

His main advice to buyers is: "Always assume that you're in a stronger position than the salesman."

Clay Harris

Bazaar economics move to the boardroom

Whether buying aircraft or renting office space, many customers can name their price

ALMOST anything is now negotiable in Britain. Recession has shifted the balance of power in the marketplace, not just in retail stores or car showrooms. In business deals as well, many customers are trying to name their price, and some are succeeding.

"If you want to buy a corporate jet, now is the time," says Mr John Keeble of Luton-based Twinjet Aircraft Sales. A British Aerospace 125 executive jet was recently sold for $6.25 although it would have commanded a price of $7m six to seven months ago.

Another dealer in the same field says: "We have got one aircraft for sale at £150,000 but I know that the seller would take £90,000 without even thinking about it."

Bargain-hunters are especially likely to circle around what they perceive to be distress sellers, such as receivers and liquidators.

Mr Philip Sykes of BDO Binder Hamlyn, the accountancy firm, says: "I always get a few calls along the lines of 'I will give you 5 per cent of the value of the stock', and some people may be that desperate."

Mr Iain Allan, a partner at London-based accountants Grant Thornton, who has acted as a receiver to several companies in recent months, has encountered many stock buyers on the hunt for bargains. One offered to buy film videos at one failed store for 50p apiece, but the receivers succeeded in holding out for about £7.

"The only attraction of selling to people like that is if you want instant cash," says Mr Allan.

"Most receivers will look around for better prices even if they have to release things on the market at a slower rate."

Bargaining has always been central to buying and selling advertising space in the media, but in recent months, the wheeling and dealing has been more frenzied than ever.

Tony Andrews

Bargains on sale: the recession has created a buyers' market in the UK economy

"Some of the media owners are in such dire straits that advertisers can virtually dictate their own prices," says Mr Richard Eyre, media director of Bartle Bogle Hegarty, one of the larger London advertising agencies.

The negotiations over price are most intense in television which is very vulnerable to fluctuations in demand because of the pre-emptive buying system.

Agency media buyers bid "blind" for specific spots in the knowledge that if a competitor makes a higher bid they will be bounced out of the space.

Since Britain's independent television companies have a fixed amount of airtime to sell, the price is dictated directly by the level of demand. At the moment, both are very low.

> Bargaining has always been central to buying and selling...but in recent months, the wheeling and dealing has been more frenzied than ever

Mr Ray Morgan, chairman of Zenith, the media buying subsidiary of Saatchi & Saatchi, which is the UK's biggest single media purchaser, reckoned that the average price of television airtime was around 20 per cent lower than at this time last year.

He estimated that the cost of newspaper advertising in the first quarter of this year was between 10 and 20 per cent lower than at the same time in 1990. Some parts of the market, such as middle market national dailies and regional newspapers, have been particularly badly affected and rates are very soft.

Some of the country's newspapers are said to be selling advertising space for as much as 40 per cent less than a year ago.

The most vulnerable areas of the media are new titles and channels still struggling to establish themselves as the recent demise of TV Plus, the listings publication, and Journalists Week, the media trade magazine, suggest.

Media buyers can drive particularly hard bargains with new publications. Similarly, media owners are said to be prepared to agree to exceptionally low prices to coax potential advertisers into the market.

In commercial property, "vulture funds" have been set up by property companies, financial institutions and surveyors, aiming to take advantage of knock-down prices, which, relative to income, are lower than the crash of the mid 1970s.

Even so, finding cheap property with reasonable rental prospects is a tough business. "We still are not seeing great bargains," says Mr Michael Slade of Helical Bar, which is behind a fund investing in retail property.

Banks are supporting many bankrupt companies rather than offloading the property on to a depressed market.

Receivers, likewise, are prepared to hold on to properties for years if necessary, rather than sell at absurdly low prices.

Anyone trying to find bargains in prime property is likely to be disappointed. It tends to be held by institutions or large property companies which are not forced sellers. "If it is good, you are having to pay a decent price," says Mr Slade.

The real property bargains are for tenants looking for new space.

Rents in the City of London are down 20 per cent from their peak and may fall another 10 per cent this year.

A building in Austin Friars in the city's financial quarter that a year ago would have cost £60 per square foot per annum to rent, has recently been let for £45.

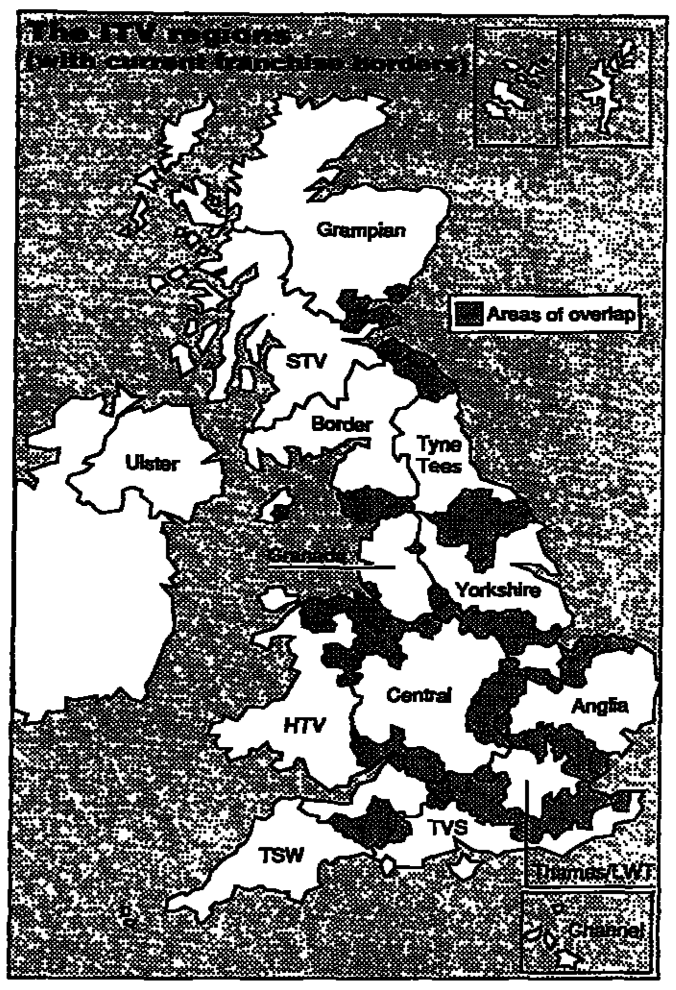
Tenants can also haggle over rent-free periods, which can be as long as two years. In addition, they can often get cash injections and fitting out allowances, which can be as high as £50 a square foot.

Vanessa Houlder
Alice Rawsthorn
John Thornhill

UK NEWS

Europe fails to enter the TV race

Raymond Snoddy reviews the chase for franchises across Britain



RUNNERS and riders are limbering up for the UK's great commercial television franchise race. For the first time in British broadcasting history the regional commercial television franchises will go to the highest bidder after applicants have passed a "quality threshold".

But after years of media hype there is, so far, a surprising lack of interest in the competitive tenders for new 10 year franchises to run from 1993. There is, for example, little sign of the expected invasion from continental Europe.

One source, however, in the broadcasting industry, acting as an unofficial forecaster, said yesterday: "If I was running a book I would give no better than evens on the incumbents surviving."

Awarding commercial broadcasting licences in the UK has always been a strange business. This time around it is a very tricky gamble indeed because in most cases winning or losing will depend on blind bids in a brown envelope.

Yet despite the uncertainty that will continue until May 15 – the deadline for bids – and beyond, the race, so far, is looking surprisingly dull. Some of the established companies are starting to look good against weaker than expected opposition.

Six weeks from "the off" there is, at least in the public domain, a noticeable absence of major British corporations from outside the television industry in the field or any outward sign of an invasion from continental Europe to buy up the UK's commercial television system.

There may, of course, be canny bidders working in great secrecy with teams of merchant bankers, determined not to declare themselves until 11.45am on the day. In a notoriously gossipy industry, however, it would be surprising if many bidders managed to keep their plans entirely private until the deadline.

It looks at the moment as if there may not be many more than 30 bidders for Channel 3 franchises, as ITV will be known in future,including the 16 incumbents.

So far only a handful of large well funded companies have declared themselves or been identified as serious contenders. They include Mr Michael Green's Carlton Communications, MAI, the advertising and financial services group, Mr Richard Branson's Virgin Group, Polygram, the music subsidiary of Phillips the Dutch consumer electronics group and EMAP, the newspaper and publishing group.

Apart from Canal Plus, the French pay television company and Générale d'Images, the French communications company which already have stakes in TVS Entertainment the only publicly known new continental European player is CLT, the company that owns *Radio Luxembourg*.

Silvio Berlusconi, the Italian broadcaster with interests in four European countries has, it is believed, looked but decided to pass up the opportunity this time around. From 1994 it will be possible to take over Channel 3 broadcasters.

Several of the largest ITV companies either have no serious rival so far or face opposition from groups trying rather belatedly to put together an effective bid.

The reasons for the relative lack of interest include the current recession in advertising, the costly programme obligations, the cost of applying, which can be up to £2m for a larger franchise, and finally the uncertainty over how quickly satellite television can eat into advertising revenues.

One or two groups have *looked at Central Independent* Television, the second largest ITV company, but there is no sign so far of a serious bidder emerging.

Viscount Lewisham, a landowner, is believed to be leading a consortium against Yorkshire Television. The consortium includes Mr Nicholas Fraser, managing director of Panoptic Productions, an independent producer, with Lord Asa Briggs, the historian as adviser. Yorkshire is taking the possibility of a bid seriously, but it is far from clear what Viscount Lewisham's chances are.

Granada Television is also likely to face opposition from local independent producers, Mr Phil Redmond's Mersey Television is the most often cited possibility. But here again the odds must be on the incumbent.

HTV, broadcasters for Wales and the West, will almost certainly face at least two hostile bids because a bidding consortium has split.

Granada has teamed up with its tiny neighbour Border Television to bid for Tyne Tees, the north eastern franchise.

TVS looks increasingly vulnerable because of *its inability* so far to sell MTM, its US production subsidiary that has pulled the company down financially. MAI, Virgin and Carlton are all expected to compete with TVS for the affluent south of England franchise.

It would be surprising if Thames, London Weekend Television and TV-am the national commercial breakfast franchise, were all to survive because all will face serious opposition. Carlton is going for Thames and Richard Branson, together with David Frost is keen to have a go too. Polygram and a group of independent production companies is expected to bid for LWT.

TV-am is likely to face at least two serious bids, one led by Independent Television News and including Carlton, MAI, The Daily Telegraph and NBC of the US. The other includes LWT, Walt Disney and Broadcast Communications, the independent producer controlled by The Guardian.

Privately government officials say the move to open up ITV to competition would have "worked" if four franchises changed *hands*.

As the riders move nervously towards the start the odds are that up to four incumbents could go, but that the ITV system is unlikely to be totally devastated by the contents of the brown envelopes.

BRITAIN IN BRIEF

Trust eludes financial services

Confusion and mistrust of the financial services industry is still widespread, because of poor marketing, according to a report published by Mintel, the market research company.

"Banks, building societies, insurance companies and credit card suppliers spent a staggering £424m in 1990 advertising their services, and the majority of the population *still don't know what they are* buying, " said the report.

Water body calls for meters

Thames Water, one of the recently privatised 10 regional water authorities, has come out in favour of selective metering of customers as its solution to the problem of finding a new way of charging for domestic water usage.

But Thames, the largest of the 10, has rejected wholesale metering of domestic premises mainly because of the complications and costs of separating out sources of supply among urban and suburban customers.

Airline hits at landing slots

British Midland, UK's second largest scheduled air line since the demise of Air Europe, criticised the way that take-off and landing slots at Heathrow airport are allocated. The airline, which launched two new scheduled routes out of Heathrow to Palma, Majorca, and Nice, France, wants greater government priority to improving competition on European routes.

Training levy urged

The government was urged by a former director of economics at the National Economic Development Office to allow its employer-led Training and Enterprise Councils to introduce compulsory training levies.

Mr Ken Mayhew, of Pembroke College, Oxford, said they would help to stimulate a "training culture" among employers which could eventually allow a training levy to "wither away" because it was no longer required.

Schools face industry test

The government is considering introducing a new form of industry-based National Vocational Qualification for schools and colleges of further education. The thinking is that students would be able to sit for them at the same time as traditional A-levels.

June election 'ruled out'

A June general election was virtually ruled out by Mr Chris Patten, chairman of the Conservative party.

Stressing "dramatic news ahead" on inflation he claimed that improving economic prospects would be accompanied by increasingly frantic calls by Labour for the earliest possible general election.

Gold reserves up by $540m

Britain's gold and foreign currency reserves rose by an underlying $540m last month, partly because of large contributions from abroad to help to meet the costs of the Gulf war.

Chevron sells N Sea assets

Chevron, the US oil company, announced the sale yesterday of its interests in several North Sea blocks to Arco, a UK subsidiary of Atlantic Richfield, in a cash deal which analysts value between £30m and £50m.

The four blocks in the southern gas-producing area of the North Sea are part of a package put up for sale last October when the company said it would sell 15 per cent of its non-core North Sea assets.

Ruling on insurance

Insurance companies will, in future, have to pay much closer attention to the wording of their promotional literature as a result of certain recent decisions made by the Insurance Ombudsman.

Cap plans anger authorities

Plans to charge cap 14 local authorities, including three which are Conservative-controlled, provoked angry responses from council leaders. The capped authorities have 28 days to challenge or accept the government's proposals for maximum budgets.

Labour voices benefits concern

The opposition Labour party yesterday expressed fears that a the new benefits agency set up to deal with all social security benefits would reduce public accountability.

The 500 social security offices in England, Wales and Scotland were hived off this week to administer all social security payments except for unemployment benefit which is dealt with separately by the Employment Agency.

London crawls to work

Average traffic speeds in central London have continued a 10-year decline to fall below 11mph during the working day, according to a Department of Transport survey.

There are 1,006 waste dumps in England and Wales needing controls to deal with danger from landfill gas which builds up and can cause explosions or suffocation, according to an official report. However, the report came under attack from Friends of the Earth, the environmental organisation, because it failed to identify the sites' exact location.

Print that falls off the page

PRINTING systems that reuse paper are being studied by the European Space Agency.

The objective is to develop a printing system that can remove, as well as print, words on a sheet of paper and so replace the volumes of heavy manuals carried into space by astronauts. But the printing systems are expected to have earthly applications in the ultimate paperless office as well.

The elimination of heavy instruction manuals could increase the weight of payloads, according to Pira, the printing research organisation commissioned by ESA to study reusable paper systems for the Columbus laboratory, part of the International Space Station Freedom, which will be in permanent orbit.

The data usually contained in the manuals could be stored electronically in the laboratory's computer system or could be beamed up to the craft or station as required. The data would then be printed out on paper.

Experimental information gathered on the space station would be written on the paper and then stored by using an optical scanner, so that the sheet can be used to gather fresh information.

The proposed printing systems cannot use ordinary paper made from cellulose fibre, which is not strong enough for constant reuse.

Instead, according to Alison Danilewicz, of Pira, synthetic fibre paper will be used in the development of two printing techniques – thermal transfer printing and ink-jet printing.

Thermal transfer printing applies heat to an ink ribbon, which transfers a letter to the page. Heat on the page can also "pull the print off the page," says Danilewicz. So far, only single lines have been removed. The next stage is to be able to remove whole pages of printed text at one time.

Script printed by ink jet printing, where tiny jets of ink are squirted at the paper, could also potentially be removed. One possibility is to use inks which change colour, and so seem to disappear, when exposed to specific types of light.

Lynton McLain

Clean methods of burning a dirty fuel are poised to compete with natural gas, says **Juliet Sychrava**

A power play by the coal industry

It could, you might think, only happen in California. Mixing sewage with coal to generate electricity sounds far fetched, but that is exactly what Texaco is doing. At its Montebello laboratory in California the oil company is turning sewage sludge and coal slurry into gas, which can then be used to generate electricity in a process that meets even California's exacting environmental standards.

Exotic it may be, but sewage gasification is one branch of what promises to be a sturdy tree – clean coal technology. This science, which researches new methods of burning coal, has suddenly become popular.

Gas prices – like shares – are prone to fluctuation. Indeed, the 35 per cent increase in British Gas prices announced in March has brought that home to an electricity industry which has been decidedly bullish on gas over the last decade.

By the mid 1990s a handful of fully commercial coal-fired power stations using clean coal technology will have come on stream around the world. The technology could represent a new lease of life for coal. Even in the UK, where the coal industry has not always found government favour, a select committee on clean coal technology is under way, and the Department of Energy has set up a special Coal Task Force working group to investigate new coal technology.

At present, UK power stations rely on a process known as flue gas desulphurisation (FGD), which scrubs the emissions from the power station chimney. The government has committed the UK to fitting FGD equipment to 8,000MW of power plant. But FGD – which is simply bolted on at the end of the power station process – has been superseded by new technologies already operating or being developed in the US and continental Europe.

In the US, the Electric Power Research Institute (EPRI) is spending an estimated $5bn on clean coal research. There are more than 50 demonstration plants in the country, compared with around 40 in the rest of the world.

A few plants are already generating commercial electricity: Texaco's 100MW Coolwater plant in California, and Dow's 160MW Plaquemine plant in Louisiana are selling electricity into the grid. Both plants use the integrated gasification combined cycle (IGCC) process, which blows oxygen through the coal to convert it into a clean gas stream of carbon monoxide and hydrogen.

This removes more than 99 per cent of sulphur, and produces nitrogen oxide levels similar to those produced by natural gas combined cycle plants, which recapture the waste heat from the gas combustion process to drive a second steam turbine. Because the plant is more efficient than conventional power stations it burns less coal, and releases 10-15 per cent less carbon dioxide than a conventional plant.

Texaco goes further at its Coolwater plant, removing additional "food grade" carbon dioxide and selling it to the food industry, where it is used to carbonate canned drinks.

Together with partners, Texaco plans three new 440MW generating sets at Freetown, Massachusetts. The new plant, which aims to be "the cleanest coal-based power plant in the world", will emit eight times less sulphur dioxide and nine times less nitrogen oxide than the maximum levels imposed by Massachusetts legislation. The initial stage of the plant, which will supply power to local utilities, will start up in late 1994.

IGCC is close to commercial application in the Netherlands, where the Dutch Electricity Generating Board has commissioned the largest gasification plant to be built anywhere, using Shell technology. A 250MW plant will start up late in 1993, and will be followed in 1999 by a 600MW plant.

Other clean coal technologies are close behind. The main rival is the "fluidised bed" system, which works by burning coal at low temperatures, so that around 25 per cent less nitrogen oxide is formed than in conventional combustion. The low temperature also makes it easier to remove around 90 per cent of the sulphur.

Two 80MW plants in Sweden, one in Spain and one in the US already use the most commercially developed version of this technology – known as pressurised fluidised bed combustion (PFBC). The technology for all four plants was developed by Asea Brown Boveri subsidiary ABB Carbon. It can be used in a combined-cycle system for coal burning, like that used in gas-fired plants.

Larger plants are planned: in late 1995 a larger 330MW plant, also using ABB technology, should replace two older boilers at the AEP Philip Sporn plant in New Haven, West Virginia.

More basic circulating fluidised bed combustion (CFBC) technology is widely used in small power plants of up to 200MW and is sold by, among others, Lurgi, a subsidiary of the German metals group Metallgesellschaft, and Ahlstrom, the Finnish engineering group. Units of up to 250MW are likely to follow.

British Coal, meanwhile, is committed to its own clean coal technology. Known as "the topping cycle" it combines partial gasification of coal with the fluidised bed system in a combined cycle plant.

The system, explains British Coal, does not need the large oxygen plant needed for complete gasification – it simply uses air. The coal which is not gasified is burnt and used, along with waste heat from the gasification process, to drive a steam turbine.

The process retains 90 per cent of the sulphur in coal, and nitrogen oxide levels are comparable with gasification. Costs are 20 per cent lower than conventional stations with FGD.

But if the topping cycle – which is similar to systems being tested in France, Germany and the US – is ever to be commercial, British Coal will need more money. It has a test plant in South Yorkshire, but has had to postpone plans to build a power station using the technology at Bilsthorpe, in Nottinghamshire together with East Midlands Electricity because of lack of funds.

"We have done tests and are satisfied our cycle is higher efficiency and lower cost than any other," says Jim Harrison, managing director of CRE, British Coal's research unit. "It is precisely modified for power generation."

How successfully advanced coal technology will compete with gas depends on three things: the cost and availability of the competing fuels, the capital cost of building the plant, and the emphasis utilities place on investing in a diversified portfolio of plant.

Gasification inevitably costs more than burning gas because coal has to be converted first. But capital costs are considerably lower than conventional coal-fired plant fitted with FGD.

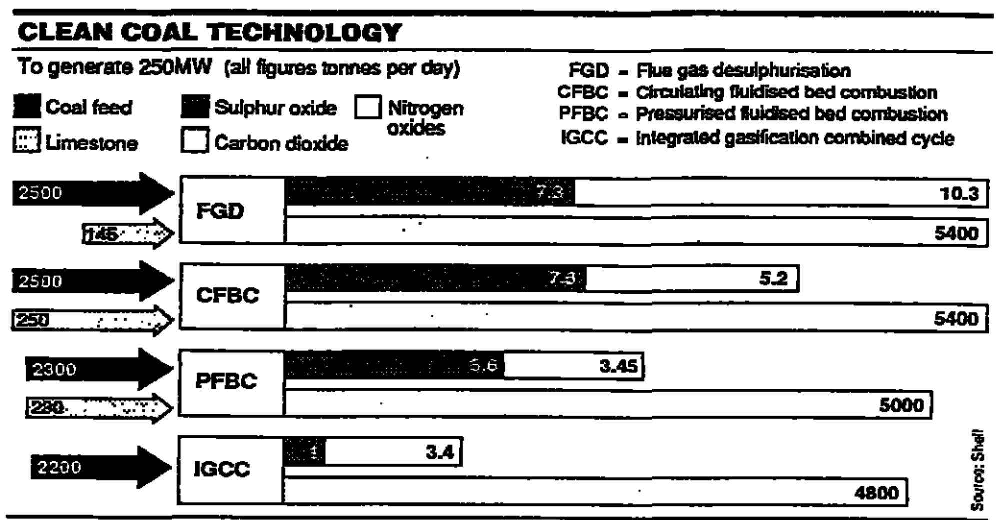
"There has to be a conscious decision to take coal for fuel diversity, and not as a competitor with gas," says Ed Gerstbrein, Texaco's director of gasification development in Europe. "But over the long term, it may be competitive, as natural gas prices rise, and there is more of a shortage of gas."

There is also the question of government investment, a sore point with British Coal, which points to the heavy subsidy the nuclear industry receives.

Others agree. "We have got to worry about the fact that we are going to run out of gas," says Brian Nicholls, marketing director at John Brown Engineering, which designs clean coal plants.

"There is no problem with gas till 2020, and then the industry generally believes it will run out. Somebody now has to do something to give us a future in coal, or we will be buying in foreign technology."

It is, the government can argue, the industry's job to fund and develop technology. But given their substantial commitment to gas, the two newly privatised electricity generators are unlikely to fund clean coal research – though PowerGen has made some investment in British Coal research. It is, they can argue, the job of power plant manufacturers to develop new technology. That leaves UK clean coal technology in the lurch – at least until gas prices rise again.



Lead-free petrol sales lose speed

By Deborah Hargreaves

FIVE YEARS ago William Waldegrave, then minister of state for the environment, filled up his car with unleaded petrol at an Esso service station in London's Fulham Road. His gesture marked the launch of environmentally friendly fuel in the UK, where it now accounts for more than a third of petrol sales.

Successive tax breaks, first introduced in 1989, have been partly responsible for the demand. The recent UK Budget imposed a price increase on lead-free petrol lower than that on regular four-star. Unleaded now costs 18p a gallon less than four-star, but industry groups reckon this is not enough of a difference to boost demand significantly.

Unleaded petrol holds around a 38 per cent share of total UK petrol sales – not far off the EC average which rose to 32 per cent last year. But the rise now appears to have stagnated and lead-free petrol has been stuck at around a 37 to 38 per cent share of the market since November.

In an effort to find out why demand for lead-free has slowed, the government is conducting a wide-reaching motorists' survey which will be released this month. Oil companies which have done their own market research into the environmental credentials of their customers have found that people are often eager to express concern about the environment but slow to do anything about it.

Shell found that about a third of respondents to a survey among those who did not use unleaded petrol perceived it as offering a lower performance with less power. Others believed their cars could not use the fuel or were unwilling to have the car retuned so they could fill up with lead-free.

"It never ceases to amaze us how much momentum you need to get behind a campaign to persuade people to convert to unleaded," said Bryn Fennel, planning manager at Esso.

The UK is unusual for introducing unleaded petrol before fitting cars with catalytic converters, which cut down vehicle emissions and can be run only on lead-free fuel. Catalytic converters must be fitted on new cars over a certain size by 1993 in line with EC regulations, which will boost sales of unleaded.

In Germany, where converters are common and unleaded petrol has been cheaper than regular petrol for many years, lead-free fuel has a 68 per cent slice of the market. Once this happens, petrol stations start to phase out pumps of regular petrol which then increase the penetration of unleaded.

The progression towards 100 per cent usage of lead-free fuel took about 10 years in the US, where sales increased steadily as cars had to meet tough new regulations on exhaust emissions. Unleaded petrol was not given a price break in the US, but cars had to be fitted with catalytic converters in the mid-1970s so consumers were forced to turn to unleaded.

The US has now gone one step further by introducing reformulated petrol which further cuts emissions of principally benzene – which has been shown to cause cancer – and volatile compounds. US regulations require reformulated petrol to be used in most cities by 1995 and in those with the worst air pollution such as Los Angeles by 1992.

Europe is unlikely to go as far as this. For a start, smog problems are not as bad in most cities except for perhaps Milan, Athens and Rome, as they are in many parts of the US. Also, European companies are looking at other ways of absorbing these toxins.

One way of doing this is to install a charcoal canister on the car or enclose the petrol pump since many of these compounds are released while the car is being filled – producing the characteristic "nail varnish" smell of petrol.

The EC Commission is currently reviewing a consolidated emissions directive which will include requirements to fit cars with charcoal canisters, probably by 1993. Some 10 per cent of hydrocarbons leak out of the car while it is at rest or when it is hot – not as exhaust fumes – and the addition of the charcoal canister should absorb these.

Phillip Morgan, analyst at Paribas, believes the drive to clean up petrol further could emerge as a political issue in the UK over the next year.

MANAGEMENT: Marketing and Advertising

Alice Rawsthorn on recession in UK advertising

Agencies still bumping along the bottom

Jay Pond-Jones and John Emerson: prize-winners in voluntary liquidation

One night John Emerson and Jay Pond-Jones were beaming as they collected two prizes at the Campaign Press Awards – only a few days later they were handing over the keys of their advertising agency to the liquidators.

Emerson Pond-Jones is the latest victim of the recession in the UK advertising industry. Founded in late 1989, it had built up a business with half a dozen employees, a handful of accounts – including Sol beer and Vidal Sassoon hair salons – and no borrowings.

When two of its clients went out of business the agency was left with bad debts. So John Emerson and Jay Pond-Jones asked their bank manager if they could take up a previously agreed overdraft facility. The bank manager refused and last week their company went into voluntary liquidation.

John Emerson, Jay Pond-Jones and their staff have been left to search for new jobs at a time when the advertising industry is in the midst of its worst recession for two decades. The critical questions for them, and for the rest of the industry, are how much longer the recession will last and whether it will catalyse long-term changes in the structure of UK advertising?

The industry has now been in recession for nearly two years. The market seems to have stabilised in recent weeks, albeit at an uncomfortably low level. But there is still no real evidence of recovery.

"We do at least seem to have seen the last of the budget cutting by clients," says Peter Mead, chief executive of Abbott Mead Vickers BBDO. "We are now bumping along the bottom".

A recent report from Warburg Securities suggests the industry will carry on "bumping along the bottom" until the closing months of this year. There should then be a modest recovery but the industry will have to wait until the middle of 1992 for fully fledged resurgence. Warburg forecasts an 8 per cent fall in expenditure to £5.88bn for 1991 and a 7 per cent increase to £6.28bn for next year.

In the meantime the toll of redundancies and receiverships seems set to continue. But the impact of the recession on the industry is likely to change.

So far the larger agencies have borne the brunt of the slump. This is partly because they hold accounts across so many different product areas that they act as "barometers" for the advertising market and if the market declines they find it difficult to buck the trend.

Another reason is that until recently some large agencies have been affected by the financial problems of their parent companies. Saatchi & Saatchi, which owns BSB Dorland and KHBB as well as the eponymous Saatchi agency, has just completed a complex recapitalisation. The WPP Group, which owns J Walter Thompson and Ogilvy & Mather, is now nearing the end of negotiations over its financial restructuring.

Most of the larger agencies have now cut back as far as they need to. Most are wary of further cuts in case they jeopardise the standard of their client service. Robert Louis-Dreyfus, Saatchi's group chief executive, says its agencies should not need to cut costs further unless the advertising market falls by more than 6 per cent compared with January and February.

But small agencies are still very vulnerable. One of the main problems is that, as Emerson Pond-Jones discovered to its cost, the banks are now so nervous about the industry's condition that they are far from sympathetic to their financial difficulties.

Up until a year ago the banks would have allowed a small agency to operate on an overdraft, or extended loan, if it came across a short-term problem like a bad debt or an account loss. Nowadays they are no longer so sanguine. This tougher stance from the banks will increase the pressure on small agencies until the market recovers.

In the meantime all the agencies – large and small – must struggle along as best they can. So far most companies have been able to adjust to reduced revenue by cutting costs across the board. But as the recession continues they could be forced to make longer term changes.

There are already signs that the recession is accelerating the polarisation within the industry. The long-term trend in advertising, as in most other maturing industries, is for growth to be concentrated between the largest and smallest companies at the expense of the middle ground.

The main catalyst for this is the trend for larger advertisers to co-ordinate their accounts on an international basis by consolidating their business into multinational networks. This trend is making it more difficult for middle-sized agencies without international alliances to work with big clients.

This was the main reason behind the Lowe Group's decision last week to merge Allen Brady & Marsh into Lowe Howard-Spink, its flagship London agency. Geoff Howard-Spink, chairman of Lowe Howard-Spink, said it was concerned about the future for a middle sized, domestic agency like ABM, which was recently hit by a string of account losses.

The recession is also likely to accelerate changes in the structure of individual agencies. Almost all agencies still follow the model set on Madison Avenue in the 1950s with its pyramid structure of separate departments for account management, creativity, media buying and research.

Now that Saatchi's restructuring is completed Robert Louis-Dreyfus, one of the few senior executives in the industry to come from outside advertising, plans to conduct a thorough review of the structure of its agencies to see if the Madison Avenue model is still valid.

Other groups are likely to adopt a less radical approach. Most agencies have already jettisoned the peripheral services, such as research and internal promotions, they introduced in the 1980s. Now they are starting to scrutinise other areas, such as planning.

Some agencies, notably BMP DDB Needham, see planning – the process of producing advertising strategies through research which was originally conducted by account managers but elevated to the status of a separate discipline in the 1980s – as an integral part of all their work. Others, such as Saatchi, are limiting its use to larger accounts. Smaller companies increasingly see the planning department as a luxury they can no longer afford.

Media departments are also under review. It is now de rigeur for new agencies to subcontract media buying to specialists rather than to open their own departments. The pressure on costs could persuade some middle-sized agencies to subcontract media buying too.

So far there is no sign of the recession prompting larger agencies to form British versions of the media clubs they have developed in other European markets such as France and Spain. Saatchi has for some time centralised the media buying of its agencies through Zenith. Other groups, such as WPP, Omnicom and Interpublic, have so far decided against pooling their media buying in the UK.

Martin Boase, chairman of Omnicom (UK), believes that "although the trend towards centralised media buying is clearly continuing" the UK market is still "a long way away" from following the centralised model set in France and Spain.

Finally, in financial terms, the recession has prompted all agencies to cast a much more critical eye over overheads. The extravagances of the 1980s – the long lunches and telephone digit salaries – are already things of the past.

Neil Blackley, advertising analyst at James Capel, the stockbroker, suspects agencies will continue to keep tighter control over areas such as production costs and credit control even after the recession. The trend for agencies to be paid by fees, rather than commission, should also continue.

For although the advertising market should return to growth next year, no one expects the industry to experience the same frenetic level of growth in the 1990s as in the 1980s. The long-term trends of media fragmentation and the growth of other disciplines, notably direct marketing, should ensure that the 1990s is a much more temperate era for the advertising industry.

Why brewers are seeking a bitter taste in the mouth

Philip Rawstorne on the market for canned 'draught' beer

Britain's major brewers are investing heavily in the taste of their take-home beers.

A new generation of draught-style canned ales is appearing on the market. Millions of pounds of research have gone into reproducing in the canned products all the quality of pints pulled from a pub cellar. Millions more will be spent on advertising and promotion as the brewers seek to assure consumers that they have succeeded in doing so.

Guinness feels confident enough about the outcome to launch its first ever canned bitter – and to put its name boldly on the can.

Whitbread this month will introduce cans of Boddington's, now one of its leading brands with annual sales of £125m.

These are the latest – and most technically innovative – in a line of brand extensions that has put cans of Courage's Directors, and Bass's draught Bass on the off-licence and supermarket shelves. Allied-Lyons has brought out new versions of its Burton and Tetley ales. Many others are rumoured to be on the way.

The moves are designed to capitalise on two areas of potential growth in the UK beer market – the take-home sector, and a revival of cask-conditioned "real" ale.

Total beer sales are expected to fall by 4-5 per cent over the next five years. The pub trade is declining. Britain's population is ageing, which means there will be fewer young drinkers; older pub-goers will drink less. The spread of cable and satellite television will keep even more people entertained at home.

Take-home beer sales are set to benefit. From around 22 per cent of the market, it is predicted they will grow to 28 per cent by 1995 and to around 30 per cent by the year 2000.

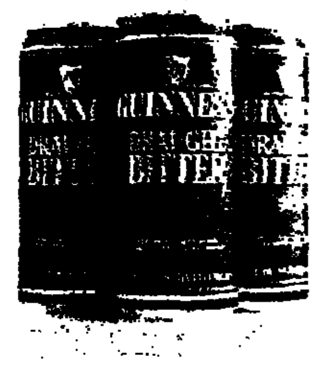
"A Tesco store will be selling more beer than many a pub," says Miles Templeman, managing director of Whitbread's beer division.

The take-home sector is at present dominated by lager. Though ale takes 44 per cent of pub beer sales, it has only 22 per cent of the take-home market.

One reason for this is that brewers have been unable to replicate the taste and appearance of draught beers in their canned products. Many consumers have complained that they are too gassy or taste of metal.

If those problems could be overcome, the brewers could see that a valuable market could be developed – especially with the renewed consumer interest in cask-conditioned ales which are expected to increase their share of the ale market from 30 per cent to 44 per cent by 1995.

Guinness pointed the way with the launch three years ago of its draught stout in cans. Faced with a declining share of the packaged beer market, Guinness spent five years and £5m in developing the technology that would give its canned product the appearance and taste of its draught stout.



Guinness claims to have got the technology licked

The solution was the in-can system (ICS) – a plastic moulded device, placed in the bottom of the can. When the can is filled, a small amount of stout passes through a minute hole into the device. Opening the can releases the pressure; the stout in the ICS, activated by a small amount of nitrogen injected when the can was filled, surges into the rest of the beer, giving it a creamy head.

After a trial run in some regions in 1988, the canned stout was distributed nationally in 1989. It sold 49m cans in its first year and today is the sixth most popular take-home beer brand with annual sales of £45m.

Guinness is now using the same system in a canned bitter – the first "blonde" beer to bear its brand name in the UK. The new bitter will be on test in the Granada, Central and Anglia television regions from mid-May. "There is an exceptional opportunity in the off-trade for a national bitter brand that can deliver real draught quality and taste – and we think we have that," says Andrew McMeekan, marketing director at Guinness Brewing.

Whitbread has followed a similar route with the launch of Boddington's in cans this month.

When Guinness declined to license its technology, Whitbread developed its own Draughtflow system in 18 months. Its in-can "widget" releases a squirt of nitrogen into the beer when the can is opened, giving the same draught effect.

Demand from supermarkets, off-licences and other retailers for canned Boddington's has already ensured its distribution through 90 per cent of available outlets, says Templeman. He forecasts that the move will establish Boddington's as a national beer brand and give a fillip to the whole take-home ale sector.

Boddington's will be followed in the summer by the launch in cans of Murphy's stout, a Whitbread brand with £75m annual sales already. Each will be supported by up to £5m of advertising and promotion.

Other brewers have so far relied on simpler methods to give the canned versions of their ales more authenticity.

Courage uses "a nitrogen flush" during the filling process for its Directors bitter. Bass took three years to perfect "a judicious use of nitrogen" in its premium bitter. Allied has put a shot of nitrogen into its Burton ale but not yet into its leading Tetley brand.

It remains to be seen whether consumers will appreciate all this scientific effort that has gone into satisfying their taste buds. But the brewers are convinced that more discerning ale drinkers will be pouring their own pints at home if they are not quenching their thirst at the local.

BUSINESS LAW

Commission's directive prevails

By Nicholas Higham and Stephen Kon

ARTICLE 37 of the Rome Treaty requires member states progressively to adjust "state monopolies of a commercial character" to ensure that there is no discrimination between nationals of member states in the procurement and marketing of goods.

Two weeks ago, in a case brought by Italy against the European Commission (case 4/83, the British Telecom case), the European Court held that the Post Office acted as a commercial undertaking and was therefore subject to treaty rules. This ruling enabled the commission to apply competition rules in the telecommunications sector.

In 1987, the commission published a Green Paper on the development of a common market for telecommunication services and equipment. One of its aims called for users of telecommunications to be allowed to benefit from technological advances by having a free choice between the types of equipment available.

The commission asserted that there was no reason why the supply of terminal equipment, including telephones, facsimile machines and PBXs, should be reserved to national telecommunications administrations.

In 1988, the commission relying on its powers under Article 90(3) issued a Directive on Competition in the Markets in Telecommunications Terminal Equipment (88/301/EEC). Article 90(3) permits the commission to address appropriate directives or decisions to member states to ensure that they neither enact nor maintain in force any measure contrary to treaty rules.

The commission's claim of a right to issue directives under Article 90(3) was challenged in the European Court (case C-202/88) by the French government supported by a number of other EC states which were concerned not to be excluded from the discussion about possible abolition of their national telecommunications monopolies. They argued that directives ought to be issued by the Council of Ministers, on which their national representatives have a seat and a voice.

In April 1989 Sir Leon Brittan, the competition commissioner, said that it was incorrect that liberalisation of telecommunications should be based on harmonisation directives emanating from the council rather than directives from the commission. He argued that liberalisation implied the application of existing community rules and added that Article 90 obliged the commission to monitor enterprises under state ownership.

He went on to say that the commission had identified several infringements of the rules of competition and that, while it could have started individual actions against several EC states, that would have resulted in much duplication and delay. He concluded that it was appropriate to use commission directives to open up the telecommunications market to competition.

The court's ruling generally upholds the commission's right to take action under Article 90 in relation to state measures affecting telecommunications undertakings (or indeed other undertakings having the character of revenue-producing monopolies) where these measures conflict with the treaty.

The court held that the commission had, under Article 90 made a proper determination of obligations incumbent on EC states, and that it was not obliged to proceed instead under Article 169; it also had a duty of surveillance over undertakings of this nature, and it could exercise its powers independently of the council's powers under Article 100(a), under which the council enacts harmonisation measures under the single market programme.

However, the commission's wings have been clipped in the sense that:

- certain parts of the directive on terminal equipment were annulled;
- the commission was criticised for failing to identify clearly each of the measures complained of and how they conflicted with the treaty; and
- the court held that the commission might only legislate under Article 90 as regards state measures.

Under Article 2 of the directive, member states which have granted undertakings special or exclusive rights were required to withdraw those rights. Special or exclusive rights are mentioned, but not clearly defined, in Article 1.

The court upheld the obligation to withdraw exclusive rights, but rejected the obligation to withdraw special rights, on the grounds that these are insufficiently specified and therefore ambiguous and open-ended. Before issuing a directive requiring withdrawal of special rights, the commission had an obligation to identify the rights concerned and to explain how they conflicted with the treaty.

Under Article 6 of the directive, EC states were required to ensure that, from 1 July 1989, the responsibility for drawing up technical specifications and type-approval procedures used for terminal equipment was entrusted to a body independent of the phone companies (PTTs). Certain states had objected to this provision, but Article 6 was upheld by the court on the grounds that, were it otherwise, the PTT would have an unfair competitive advantage.

Under Article 7, EC states were to ensure that PTTs made it possible for their customers to terminate, at no more than one year's notice, any leasing or maintenance contracts concerning any terminal equipment which, at the time of signing, was subject to exclusive or special rights.

Article 7 was annulled by the court on the grounds that Article 90, on which this directive is based, only gives the commission authority to intervene in relation to state measures.

Finally, under Article 9 of the directive, states were to provide an annual report to allow the commission to monitor compliance with the provisions of the directive. This is now modified so that no report will be required on those aspects of the directive which have been annulled.

Whether the distinction between special and exclusive rights will be of long term practical importance will depend on whether a valid distinction between special and exclusive rights can be made by the PTT in any other member state (the UK having long since withdrawn all such rights).

The court order will at least blur the issue and slow the liberalisation of the terminal equipment market in those states (eg France and Belgium) which are most resistant to change.

As to the effect of the court ruling on Article 7, the commission is now likely to consider proceedings under Articles 85 and 86 against any PTT which does not allow termination of a maintenance agreement on a year's notice. It has already indicated its intention in the guidelines on the application of competition rules to the telecommunications sector to take action under Articles 85 and 86 in suitable cases.

What effect will this ruling have on the directive on competition in the markets for telecommunications services (90/388 EEC), which was also issued under Article 90(3)?

A number of provisions under this directive seem secure but others may not be. For example, under Article 2, member states are required to withdraw all special or exclusive rights for telecommunications services, other than for voice telephony, and to take measures to ensure that any operator may provide all other telecommunications services.

Just as the reference to special rights was criticised by the court in relation to the terminal equipment directive, so too is it open to criticism under the services directive.

Article 4 which again makes use of the phrase special rights may also be challenged. However, the obligation under this article for states which maintain special or exclusive rights for the provision and operation of public telecommunications networks to take necessary measures to make the conditions governing access to the networks objective and non-discriminatory, and to publish them, are entirely consistent with more general principles of community law.

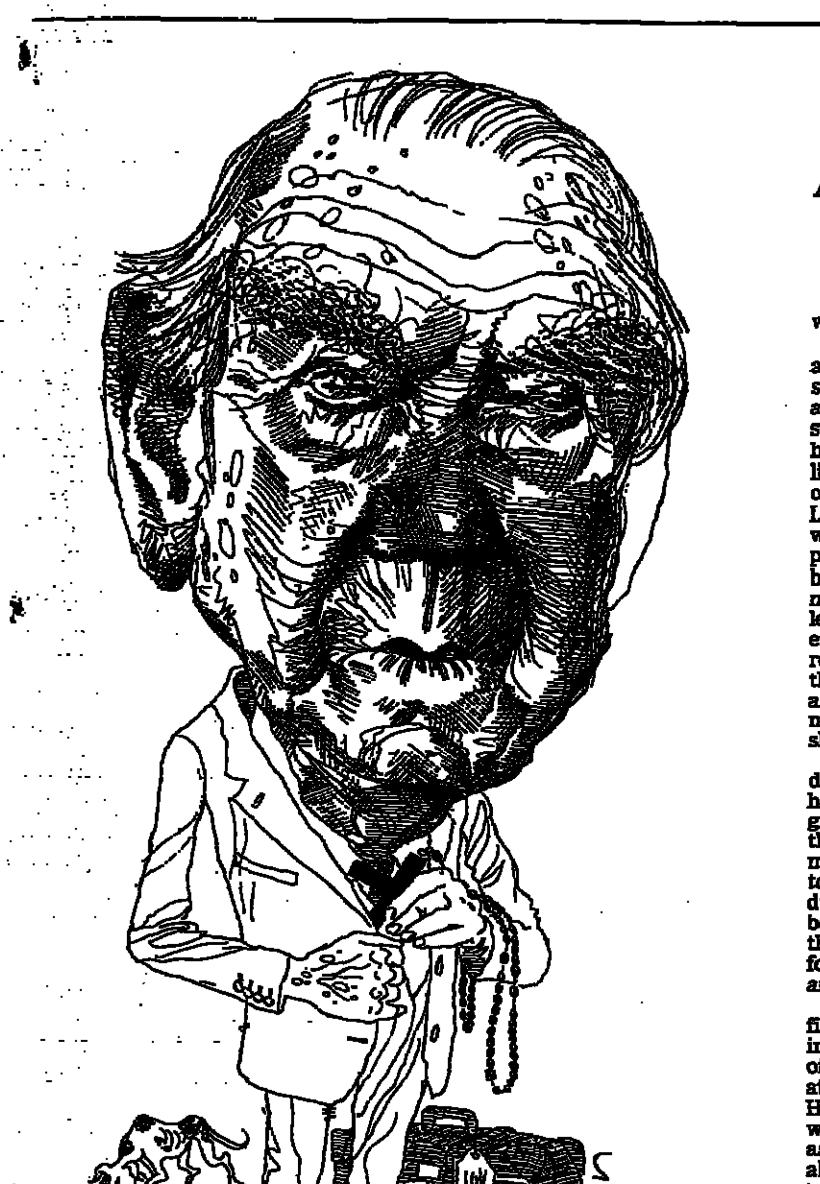
The Belgian, Italian and Spanish governments have tabled complaints, on similar grounds, against the commission in respect of the services directive.

In the light of the court's judgment it ought now to be possible for the commission and these governments to reach a consensus before the case comes to court.

While the European Court's judgment may confuse certain issues, and perhaps has and will cause further delay, fundamentally the commission's authority has been enhanced both in relation to the telecommunications sector, and in relation to other areas of commercial activity, such as water treatment and electricity, which are carried out by public undertakings in most member states.

The authors are partners in City solicitors S J Berwin & Co.

ARTS



The man who eschewed the power and glory

Anthony Curtis mourns the death of Graham Greene, Britain's most distinguished novelist

The death of Graham Greene yesterday robs the British literary world of its most distinguished writer.

Greene was both a serious artist and a popular entertainer, quintessentially English in his eccentricity and sense of fair play, but after his style had matured he found most of his inspiration in exotic places. He lived in Paris and Antibes and went on frequent journeys to Africa and Latin America. He was someone who shunned the media so far as personal publicity was concerned, but who was also a habitual intervener, sending reports and frequent letters to the press on a wide variety of topics. As a novelist he revealed many of the qualities of the journalist, his first profession, and his creative powers were matched by a keen critical faculty shown in his *Collected Essays* (1969).

These are just some of the contradictions that spring to mind on hearing of the loss of this greatly gifted man whose writings enriched the art of fiction in English over so many years. Although Greene lived to the age of 86 and remained productive into old age, he never became a Grand Old Man. It was the last thing he would have wished for himself. He shrugged off success and fame.

Yet after world war two, with the film *The Third Man* (1949) capturing the defeated bitter corrupt mood of that period in Vienna, Greene attracted readers all over the world. He had a special appeal in France where Mauriac had recognised him as a major novelist who wrote about issues of particular importance to Catholics. But Greene's work attracted readers everywhere whether they were Catholics or not. In addition, it seemed made for the cinema and Hollywood producers competed with each other for the right to turn his novels into movies, though the completed films were rarely to Greene's satisfaction.

In *The End of the Affair* (1951) Greene's narrator says that a "steady drip of words" coming from the pen is the only thing that really matters to a writer. In Greene's own case the drip was a constant flow. It began when he arrived at Balliol to read history in 1922; and on coming down it led him to make writing his career, after first toying with joining BAT, then a spell in journalism in Nottingham and on *The Times* in London.

One of Greene's worst periods came when he was working on *The Power and the Glory* (1940) in 1938. He was in desperate straits; the writing was proceeding very slowly, and he was worried that the novel, inspired by a visit to Mexico, would not be popular and would not provide much income. Greene decided therefore to write simultaneously with the Mexican novel an entertainment that would, he hoped, discharge his debts. He rose early and took a regular benzedrine tablet for breakfast, and settled to producing a daily ration of 2000 words of *The Confidential Agent* (1939) throughout the morning, while resuming work on his masterpiece after lunch. It nearly killed him but, *The Confidential Agent* was thus finished in six weeks. He later wondered if this routine had not had much to do with the break-up of his marriage.

Read today, the novel does betray some signs of haste and fatigue in its writing, as do several of the early books. None the less, it holds up remarkably well as a picture of life in Britain when the nation was emerging from the Depression and about to become embroiled in the second world war. It reminds us that Greene was of the same generation as Orwell, Auden, MacNeice, Isherwood (Greene's cousin), and Henry – the other – Green, all of them keen observers of the remarkably inward-looking nature, the class-conscious insularity of English society in those days. Greene first attempted to escape from it for a while in *Stamboul Train* (1932).

But there is a great affection – as well as a corresponding revulsion – for this world of pre-war Britain in many of his novels of this period: *Its a Battlefield* (1934), *A Gun For Sale* (1936) and *Brighton Rock* (1938). The crowded race-course, the beach packed with clerks and typists sprawled on deck-chairs at bank holiday-time, the rehearsal room of a provincial pantomime, the remote rural railway station, the steamy tea-shop, the basement flat are some of the circles of the hell his bewildered people inhabit.

Greene had been through a prolonged personal crisis at the time several of these pre-war books were written. It may be traced back to his schooldays and his famous games of Russian roulette to defeat the onset of boredom. He seems to have been unduly sensitive to bullying and teasing at Berkhamsted School, where his father was the headmaster, giving him an acute sense of divided loyalties.

While he was at Oxford he fell in love with Vivien Dayrell-Browning, a Catholic convert, and his passion for her led him to receive instruction from a Father Trollope while he working on the *Nottingham Journal*. He was eventually received into the Roman Catholic Church in Nottingham in 1926. Greene married Vivien in October 1927 and in the years immediately preceding the second world war Greene was living in a small Queen Anne House on Clapham Common with his wife and young family. When war broke out he became an air-raid warden at a post in Gower Street. Then he was coopted into the secret service and sent abroad.

The End of the Affair with its writer-hero William Bendix, working on his novels while the bombs fall around him, is one of the most personal and most interesting of Greene's stories, containing not only his mature thoughts on the literary life and the dubious fame it brings, but also on the nature of an adulterous love-affair, the joy and guilt it generates in roughly equal proportions. His heroine proves to have some of the characteristics of a saint. Worship of her memory after her death leads to the performance of a miracle. Many readers found this ending hard to swallow, and Greene later acknowledged that he had made a mistake in the unfolding of the plot. But his identification with the hero seems undeniable as it does in a later, despairing novel about a leper colony, *A Burnt-Out Case* (1961).

An overtly Catholic theme was often a feature of the novels Greene published after the war until his death, and this was joined to his compulsive need to visit places where trouble was brewing, or had already brewed. Greene's wanderlust had first sounded before the war. His Mexican adventure resulted in a travel book, *Lawless Roads* (1939) as well as the novel, *The Power and the Glory*. Another fine non-fiction book, *Journey Without Maps* (1936), recorded a perilous trek he made with his cousin Barbara and a party of native bearers through the Liberian jungle.

In the latter part of the war Greene was in Sierra Leone working as a secret agent with a code book and a control in London, the classic situation that was to crop up in so many post-war novels by him and others. He used Sierra Leone as the setting in one of his most mature books, *The Heart of the Matter* (1948), to present the dilemma of love versus pity, and he made the protagonist, Major Scobie, a Catholic. If that book won him acclaim world-wide, many American readers took offence at his portrayal of the main character Pyle in *The Quiet American* (1955), an innocent abroad in Indo-China, dreaming of the intervention of a Third Force in the period before the war in Vietnam.

He had a sharp nose for trouble and injustice. In *Our Man in Havana* (1958) – a witty send-up of an agent's life – it was Cuba before Castro; in *The Honorary Consul* (1973) Argentina; in *The Comedians* (1965) Haiti and in *Travels With My Aunt* (1969) a number of Latin American countries, parts of the world where Greene was becoming a frequent visitor. They included Panama where he took an anti-American position and became a friend of the President, a bizarre relationship which he described in *Getting To Know The General* (1984).

Nor was he content only to be regarded as a novelist. A clutch of stage plays – the best of which are *The Living Room* (1953), *The Potting Shed* (1957), *The Complaisant Lover* (1959) – showed him intermittently pursuing a career as a dramatist. His Nottingham years are echoed in *The Potting Shed*, which became the excuse for a cruel parody by Kenneth Tynan.

At the end of his life Greene turned to a form which is halfway between the short story and the novel. *Dr Fischer of Geneva or The Bomb Party* (1980) was the first of these late works where Greene the practical joker is at his most lethal and his dislike of prosperous Switzerland unabated. This was followed by the much more genial fable, *Monsignor Quixote* (1982), in which Greene recalled bibulous tours in Spain with his friend Father Duran, a Spanish priest and professor at Madrid University. Finally, there appeared that curious amalgam of early and late Greene, *The Captain and The Enemy* (1988).

In one of Greene's novels the hero is faced by the thought of his own death. He concludes sadly that he will have to meet his Maker "with nothing done at all". Could Greene have been basing this, in any sense, on his view of his own life, just as Shakespeare once talked of "desiring this man's art and that man's scope"? If he was, he could not have been more wrong.

CINEMA

Money can't cure a bankrupt imagination

The film industry should give the public what it wants, argues **Nigel Andrews**

No wonder April was T.S. Eliot's "cruellest month". It is chosen by sadistic governments as the threshold of the business year. In Britain, the Budget having laid out the national horrors to come, your accountant and the Inland Revenue lay out the personal horrors to come.

In such a season, did anyone really expect good news for the British film industry? Yet movie people still seem to be in a state of shock. "What, no tax incentives, no national lottery?", they cry, dismayed at the rebuff to a native cinema that once brought us Powell and Pressburger, the Ealing comedies, the Bond movies. Now (cry the doomwatchers) the same cinema brings us almost nothing and who can be surprised?

It has been fascinating to watch the career of Mr Norman Lamont. Back in the mid-1980s he and I met in a recording studio for a BBC radio phone-in following a programme about the British film industry. Mr Lamont, then in the Department of Trade, looked on with appalled fascination as his fellow-guests, director John Boorman and National Film School head Colin Young, slagged each other off on air. Boorman was talking about the filthy state of British cinemas and how the vomit had to be cleaned up before each showing. Young said, "It's probably from watching your films, John."

It was, as you can imagine, a non-constructive evening. But I do remember Lamont showing his ideological hand early on. Before the phone-in, when we were listening to the programme, the future Chancellor piped up "He sounds a good man". He was referring to pre-recorded contributor Ridley Scott, director of *Blade Runner*. Scott was saying something to the effect that British cinema should be self-sustaining and stop whingeing about grants and subsidies.

I shall appal the nation's film fraternity now by saying that I think Scott and Lamont have a point. (So does John Boorman, but a smaller one.) British cinema cannot go on and on holding out the begging bowl. Year after year the Burghers of Pinewood, men with holes in their pockets and circles under their eyes, troop towards the seat of power begging monetary mercy. Year after year they are told to go away and support themselves.

In the short term the suggestion seems cold and brutal. In the long term it is probably the only sound one. The reason British cinema is ailing is not because we are cash-starved but because we are idea-starved. However much money you lavish on a national cinema, if its imagination is comatose there will be no end product. This lesson has not been learned even by sage men like British Film Institute chief Wilf Stevenson, heading the current industry lobby. One goggles at the irony of Mr S soliciting fresh aid from the state, when the BFI Production Board has been in the forefront of wasting public money on films with no commercial mileage and little critical kudos.

The few BFI-advanced exceptions prove the rule. There may be an argument for subsidising directors like Peter Greenaway or Derek Jarman or Terence Davies. Their films are part of this country's cultural glory; they win prizes at festivals; they will never form queues outside the Bromley Odeon. But in a healthy film culture, the money to fund such films would come not from the taxpayer but from the profits of a successful commercial sector. Where is this commercial sector in British cinema? Nowhere.

Why is it nowhere? Because British producers conceal their inadequacies under the pretence that British bankers are investment-shy. Yet recent history has proved that substantial funds can be prised from British pockets to fund bankable film ideas. Two of the last four Best Film Oscars went to non-British movies largely financed in Britain: *The Last Emperor* and *Dances With Wolves*. There is no bankrupt native film industry in Britain, there are merely native film-makers bankrupt of commercial ideas.

Last time I went eight rounds with this subject in this column, I bemoaned today's lack of any serial movie tradition like the Carry Ons, the Hammer horrors or the Bonds (now fading or fled abroad). But the problem is larger. The lack of self-confidence that has our producers weeping on the doormat of Number Ten is part of the same failure of confidence that caused the crisis in the first place. We live in a Britain uncertain of its own identity. Caught in a cultural squeeze between America and Europe, and a historical squeeze between Empire and decline, we feel we must look in tiny, cobwebbed corners to find any indigenous popular culture at all. Hence films about Old Ireland like *The Field* or Old Gangsterdom like *The Krays* or Old London like *Little Dorrit*.

You do not revive, let alone renew, a popular culture by throwing state money at it. The money will merely create a breed of moviemakers who know they need not perform at the turnstile because the Treasury will help them out. Protectionism is a recipe for enfeeblement. A thriving popular culture is ensured only by a direct supply-and-demand rapport between creator and consumer. In six words: Give the public what it wants.

Fears that this can produce a rubbish culture are the rearguard cries of artistic snobbery. In their day the following things were "rubbish culture". Comic-strips: (they are now venerated as pop art and pour hundreds of millions of dollars into Hollywood via movie versions). Hollywood B-movies: (they are now critically more valued than many of their "A" brethren and brought forth directors like Don Siegel, Francis Coppola and Martin Scorsese). Hitchcock's *Psycho*: (execrated in its day as a low-budget shocker). And so on.

If you give the public what it wants, the result has a surprising tendency to survive into the next generation as valued folk art. What British cinema must do is find out what filmgoers are looking for and present it to them. The task itself may not be simple, but the principle certainly is.

★

Giving the public what it wants is something director Sidney Lumet has excelled at. *Serpico*, *Dog Day Afternoon*, *Murder On The Orient Express*: show this man a crime plot and he will go off like a Fourth of July rocket.

His new film *Q & A* (18, Warner West End) goes off like a Fifth of July rocket: there are signs of damp and *déjà vu*. The plot about cop corruption, scripted by Lumet from a book by Judge Edwin Torres, has seemingly surefire ingredients. A tough, untried Assistant District Attorney (Timothy Hutton); the racist police lieutenant (Nick Nolte) he is investigating, who has "put away" a criminal in quite the wrong way; and a multi-ethnic swell of minor characters, including dodgy D.A. Patrick O'Neal and snake-smooth Latin drug baron Armand Assante (splendid).

As usual with Lumet, the dialogue crackles and people hit and hug each other. Understatement is unknown to this man. But while the histrionics get hotter, the story tends to get cooler. Overlong at 130 minutes, what begins as a taut *verismo* yarn about a killing and cover-up turns increasingly footloose and ill-focused. By the time we hit Florida, we are watching an overgrown episode of *Miami Vice* complete with exploding yachts and dial-an-accent Hispanics. But nine out of ten for the main performances, and eight and a half for Lumet's dialogue.

★

Tatie Danielle (15, Cannon Tottenham Ct Rd, Screen on the Hill) is a French film of delectable malice. Though slow to hit its stride – dear me, was that my own head nodding in the stalls? – it moves briskly by mid-movie. The titular Auntie (Tsilla Chelton) is a frightful old bat from Auxerre who strikes terror into relatives and paid companions. Her butter-wouldn't-melt manner conceals a flair for insult unsurpassed by Bette Davis in *All About Eve* and a readiness to embarrass guests with wilful incontinence.

Can she get away with it? Of course. This is France, where social hypocrisy and lack of hygiene are not unknown. But director Etienne Chatiliez, co-scripting with story author Florence Quentin, stands apart enough to castigate as well as to celebrate. Cautionary and comical.

The best thing in Simon Wincer's Aussie Western *Quigley Down Under* (12, Cannon Haymarket) is British actor Alan Rickman. What is an English land-baron (Rickman) doing in Australia, tangling with an American sharpshooter (Tom Selleck)? Who cares. Rickman wittily devours his dialogue, while the scenery devours everything and everyone else.

Timothy Hutton and Armand Assante in Sidney Lumet's new film 'Q & A'

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

DANCE

Komische Oper 19.00 Romeo and Juliet choreographed by Tom Schilling, music by Prokofiev. *Tomorrow: Harry Kupfer's* production of Giustino with cast led by Jochen Kowalski and Dagmar Schellenberger. Sat: La bohème. Sun: Figaro (2292 555)

Staatsoper unter den Linden 19.00 Spartacus choreographed by Laszlo Seregi, music by Khachaturian. Tomorrow: Yevgeny Onegin. Sat: Meistersinger. Sun: Pelleas et Melisande (2004 762)

Deutsche Oper 19.30 Giuseppi Sinopoli conducts Otello with Vladimir Atlantov in title role and Julia Varady as Desdemona. Tomorrow: Der fliegende Hollander with Jose van Dam. Sun: concert performance of I Puritani (3410 249)

Schauspielhaus 20.00 Claus Peter Flor conducts Berlin Symphony Orchestra in Mozart's Jupiter Symphony and Beethoven's Fifth, plus Martinu's Oboe Concerto with Aldona Kosel. Repeated tomorrow and Sat. Sun at 16.00: Alun Francis conducts Mozart, Schumann and Stravinsky. Sun at 20.00: Rafael Fruebeck de Burgos conducts Beethoven and Debussy (2272 261)

Philharmonie Kammermusiksaal *Tomorrow Daniel Barenboim* conducts the first of four concerts with the Berlin Philharmonic Orchestra (2614 383)

■ BONN

Oper 20.00 Julien Sorel, ballet by Youri Vamos with music by Elgar. Sun: Vaclav Neumann conducts The Bartered Bride (773667)

■ GENEVA

Grand Theatre *20.00 Jeffrey Tate* conducts Kurt Wilhelm's production of Intermezzo, with Inga Nielsen as Christine. Also Sat and Mon (212311)

■ LONDON

MUSIC

Covent Garden *19.30 Carlo Rizzi* conducts Il barbiere di Siviglia with a cast including François Le Roux, Gregory Yurisich and Jennifer Larmore. Tomorrow: Die Zauberflote. Sat: Tarkovsky production of Boris Godunov (240 1066)

Coliseum 19.00 Jerzy Maksymiuk conducts Jonathan Miller's production of Don Giovanni, with Peter Coleman-Wright in title role, Jane Eaglen as Donna Anna and *Margaret Marshall as Donna Elvira*, also Sat. Tomorrow: Salome (836 3161)

Royal Festival Hall 19.30 Christopher Adey conducts National Youth Orchestra of Great Britain in John Adams' Harmonielehre and The Rite of Spring. Tomorrow: Rattle conducts *the CBSO. Sat: Kurt Masur* conducts Schnittke and Tchaikovsky. Sun: Andrew Davis conducts BBCSO in first British *performance of Edison Denisov's* Peinture (928 8800)

Queen Elizabeth Hall 19.45 London Ragtime Orchestra plays ragtime and jazz. Tomorrow: gypsy guitarist *Bireli Lagrene (928 8800)*

THEATRE

This week's shows include Royal Shakespeare Company production of Much Ado About Nothing directed by Bill Alexander (Barbican), Ian McKellen as Richard III (National), Jeffery *Bernard is Unwell, a comedy by* Keith Waterhouse directed by Ned Sherrin and starring Peter O'Toole (Shaftesbury) and The Shape of the Table, David Edgar's witty play about the collapse of an eastern bloc government (National). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 *Thrillers 0836 430962*

■ MADRID

Auditorio Nacional de Musica 19.30 Schubert quintets. Tomorrow and Sat at 19.30, and Sun at 11.30: Yuri Temirkanov conducts Spanish National Orchestra in Tchaikovsky programme (337 0100)

■ MILAN

Teatro alla Scala 20.00 Gianandrea Gavazzeni conducts Lamberto Puggelli's production of Adriana Lecouvreur, also Sat and Sun. Runs till May 12 (7200 3744)

■ NEW YORK

MUSIC

Carnegie Hall 20.00 Pinchas Zukerman is conductor and soloist with English Chamber Orchestra in programme of music by Haydn, Bach, Elgar and Mozart. Tomorrow: Hiroshi Wakasugi conducts Tokyo Metropolitan Symphony Orchestra (247 7800). Sun: Zukerman and the ECO play an alternative *programme at Avery Fisher Hall* (874 6770)

Metropolitan Opera 20.00 Placido Domingo conducts Tosca with cast led by Teresa Stratas, Neil Shicoff and James Morris. Tomorrow: James Conlon condicts Le nozze di Figaro, with Felicity Lott, Marie *McLaughlin and Samuel Ramey.* Sat: I Puritani (362 6000)

THEATRE

This week's shows include the musical Miss Saigon, Nicholas Hytner's acclaimed London West End production with cast led by Jonathan Pryce and Lea Salonga *(Broadway Theater). The Maids,* all-male production of Jean Genet's modern classic about two sisters who try to escape their lowly position in life through a deadly game of make-believe (House of Candles), Mule Bone, long-lost Harlem Renaissance comedy about southern black society (Ethel *Barrymore) and Candida, G B* Shaw's play about a suburban London matron who must choose between her husband and an 18-year old poet (Playhouse 91). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

DANCE

Palais Garnier 19.30 Opera Ballet in Nijinska/Nijinsky programme, including L'Apres-Midi d'un Faune with decor and costumes by Leon Bakst. Runs until April 13 (4742 5371)

MUSIC

Theatre des Champs-Elysees 20.30 Erich Leinsdorf conducts Orchestre National de France in Strauss and *Mozart programme, with Maria* Joao Pires soloist in Mozart's Piano Concerto No 23 (4720 3637)

TMP-Chatelet 19.00 Piano recital by Ekaterina Skanavi, with music by Scarlatti, Schubert, Schumann and Liszt. Tomorrow: Vadim Repin, violin. Sat: recital by Lyubov Kazarnovskaya (4028 2840)

Salle Pleyel 20.30 *Pierre Boulez* conducts Orchestre de Paris in all-Bartok programme, with Andras Schiff soloist in Second PianoConcerto, also tomorrow (4563 0796). Sat: Vladimir Fedosseyev conducts Orchestre National de l'Ile de France in Beethoven and Tchaikovsky *programme (4561 0630)*

Opera Bastille 20.30 Recital of Mozart arias and songs by mezzo-soprano Martine Mahe in the Auditorium (4001 1616)

■ VIENNA

Staatsoper *19.00 Peter Schneider* conducts Die Zauberflote, with Sylvia McNair as Pamina. Tomorrow: Eva Marton sings Tosca. Sat: Cav and Pag. Sun: Lohengrin with Rene Kollo and Gwyneth Jones (51444 2960)

Volksoper 19.00 Bruno Weil conducts *Le nozze di Figaro*, sung in German. Tomorrow: Wiener Blut. Sun: Die Zauberflote (51444 3318)

Musikverein 19.30 Charles Dutoit conducts Vienna Symphony Orchestra in Bartok's Concerto for Orchestra, with Rudolf Buchbinder soloist in Beethoven's *Fifth Piano Concerto, also* tomorrow, Sat and Sun (505 8190)

Konzerthaus 19.30 Barbara Moser plays piano music by Mozart, Beethoven and Schoenberg. *Tomorrow: Hagen Quartet plays* string quartets by Beethoven, Schnittke and Verdi (7124 6860)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Lorin Maazel conducts National Symphony Orchestra in Sibelius' *Fifth Symphony, with Viktoria* Mullova soloist in Vieuxtemps' Violin Concerto No 5 and Chausson's Poeme, also tomorrow, Sat and next Tues. Sun: Emmanuel Krivine conducts Orchestre National de Lyon (467 4600)

Kennedy Center Opera House 20.00 *Dance Theatre of Harlem, also* tomorrow, Sat and Sun (467 1600)

■ ZURICH

Opernhaus 19.30 Ferdinand Leitner conducts August Everding's new production of Yevgeny Onegin, with Monte Pederson in title role *and Lyubov Kazarnovskaya* as Tatiana, also Sun. Tomorrow: La Sylphide. Sat: Berghaus production of Elektra (251 0909)

Tonhalle 20.15 Marc Andreae conducts Tonhalle Orchestra in Bruckner's Third Symphony, with Dinorah Varsi soloist in Beethoven's First Piano Concerto (201 1580). Sun: Cyprien Katsaris plays Mendelssohn's Second Piano Concerto with Zurich Chamber Orchestra (252 1737)

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No let-up on Iraq

PRESIDENT Saddam Hussein's regime in Iraq has become no less ugly for its military defeat at the hands of the allied forces. It remains brutal, dictatorial and dependent on force for its survival. This has been known for years by western governments, their Middle Eastern friends and most emphatically by the Kurds and other opposition organisations within Iraq.

Now, however, after the Gulf conflict, Mr Saddam no longer has the military capacity to wage war on his neighbours or to launch Scud missiles against more distant enemies. That was achieved by the creation of an alliance, unique in modern Middle East history, designed precisely to bring about the withdrawal of Iraqi forces from Kuwait. The methods to achieve that aim were initially peaceful, although in the final resort military force had to be used. Critically, it was a course of action agreed upon and supported by the United Nations. It never was a unilateral US police action.

It implicitly accepted the possibility of heavy loss of life, particularly on the Iraqi side, but also among coalition forces. The eventual ease of victory should not disguise the sacrifices that might have had to be made by allied troops.

The recent public disagreement between General Norman Schwarzkopf, the US commander, and President George Bush, over the decision to halt the attacks on the retreating Iraqi forces in order to prevent an even bigger slaughter underlines the moral, political and military dilemmas inherent in such an action.

Repugnant course

Further killing of Iraqi troops who had no desire to sustain Saddam Hussein in office appeared then to be repugnant. The allies had achieved their stated and agreed objectives. Much of western opinion appeared to favour Mr Bush's decision to end the hostilities, at least on humanitarian grounds, while still hoping for the removal of Saddam Hussein.

It might be argued that, in light of the Kurdish tragedy, America's commanders should have been given carte blanche to destroy all remaining units of the retreating Iraqi army. The international outcry may have been intense, but it would in turn have limited Saddam Hussein's ability to defeat the Kurdish rebellion in the north-east and the uprising in the south by Shias.

However, there could still have been no guarantee that having killed so many tens of thousands of Iraqi troops that the regime would be toppled or that the lightly-armed Kurds and Shias would be safe from counter-attack.

Saddam's rules

To enter into such calculations is anyway to play by Saddam Hussein's own rules in a contest which he understands and plays more bloodily than most. It is also to start down a road which starts idealistically but inevitably runs an ever-increasing risk of deeper military engagement and eventual responsibility for the political reconstruction of Iraq. And it is a road which the US would almost certainly have had to travel virtually alone.

However harsh the decision may seem in the light of the latest reports from Iraq, it was right and remains right for the US and its allies to avoid further military involvement on the ground in Iraq. It is equally right for the toughest international sanctions, apart from the most immediate humanitarian needs, to be maintained against Iraq for so long as Saddam Hussein remains in power.

The plight of the Kurdish people, suffering so harshly at the hands of Saddam Hussein for the third time in little more than 15 years, emphasises that short of deeper military involvement there can be no let up on the Baghdad regime.

The draft terms of the UN Security Council resolution for a permanent Gulf war ceasefire are rightly tough. The council members must leave Mr Saddam Hussein in no doubt that they will be rigorously enforced and even tightened. While that is no immediate consolation for the Kurds and the other oppressed people of Iraq, it is only such determined consistency which could, if applied more widely, offer hope to many others suffering similar fates in different parts of the world.

Competition in gas

GAS POLICY in Britain is in a mess. Five years of privatisation have left British Gas with almost as much market power as it had at its flotation in 1986. In an attempt to curb monopoly abuses, the Office of Gas Supply (Ofgas) has been drawn into acrimonious skirmishes with British Gas. Regulators are bound to be poor substitutes for competition, yet Ofgas is the only protection available to most customers of British Gas.

Meanwhile, the Department of Energy oscillates between free market rhetoric about opening the gas market to competition and its deeply interventionist instincts. No one knows whether the government will block further imports of Norwegian gas from the mid-1990s. Yet this decision is crucial for planners in an industry with long lead times.

Industrial customers complain bitterly in private about the high-handed attitude which British Gas continues to display. The latest group to feel aggrieved is the clutch of independent power producers trying to flesh out another part of the government's energy policy – its wish for competitive electricity generation. Last month, these electricity pioneers were faced with overnight price increases of 35 per cent for power station gas supplied by British Gas. Many of these projects now face collapse.

Lost opportunity

The government's failure to create the conditions for competition at the time of British Gas's privatisation is the root cause of this unsatisfactory state of affairs. But it is not realistic to think of splitting up British Gas now. The dismemberment of a company so recently floated on a quite different prospectus would rightly provoke a public outcry.

Other ways have to be found to inject extra competition into the market. A Monopolies and Mergers Commission investigation in 1988 made recommendations designed to open the industrial market. But so far the fledgling competitors to British Gas have captured only about 2 per cent of industrial gas sales, according to Mr James McKinnon, director-general of Ofgas.

Mr McKinnon has had some success in his battle with British Gas, notably in cajoling it into surrendering some gas to its competitors in order to help them become established. That has become necessary because one of the Monopolies Commission's rulings – that British Gas should not be able to buy more than 90 per cent of the supplies from new gas fields – has not secured a sufficiently quick flow of gas to potential competitors.

Slow pace

The ruling, known as the 90/10 rule, is due to be reviewed this spring. It is now essential to broaden this review to encompass not just the effectiveness – or lack thereof – of the 90/10 rule, but also the slow pace at which competition has entered the industrial gas market. That would entail a study of the sources of gas supply in the second half of the decade.

Such a review should lead logically to a public statement by the government that it will not oppose increased gas imports from Norway. Hitherto the Energy Department has feared that such imports would discourage the full exploitation of the UK's own gas reserves, with obvious consequences for tax revenue and the trade balance. But given the huge demand for power station gas, the reserve exploitation argument is weak and the tax argument weaker. Having created a dominant private sector utility, government policy should be directed unequivocally at backing the regulator in a search for more competition. Moreover, UK support for an open gas market in Europe cannot be taken seriously if a protectionist stance is adopted at home.

Even tougher solutions will be required if competition still does not develop in the industrial gas market. One possibility would be to extend the price regulation that governs charges to domestic customers, where British Gas still enjoys a statutory monopoly, into the industrial market. A comparable development occurred when British Telecom's regulator extended price controls to international calls. There is no case for a private company to enjoy the unregulated benefit of its effective monopoly in a crucial raw material.

The planned reform of the US banking system is likely to be piecemeal rather than on a broad front, says **David Lascelles**

Last chance for a sweeping overhaul

Mr Nicholas Brady, the US treasury secretary, was blunt with Congress when he recently put forward his far-reaching plans to reform the US banking system.

He invoked the wave of bank failures that is sweeping the US, the antiquated laws which prevent American banks from keeping pace with changing markets, and the chaotic system of banking regulation. He summed it up: "It's a bleak picture that demands action – prompt action – to correct it."

But it looks as if Congress will pay only passing heed to his appeal. The view on Capitol Hill as well as within the financial services industry is that he will be lucky to secure more than two of the half-dozen central proposals in his reform programme – one of them his plan to rescue the deposit insurance system. It would take the personal intervention of President George Bush himself to push the bulk of the package through in its entirety, and the White House's agenda may be too crowded for that.

If the reform programme does fail, it is hard to see a fresh opportunity arising to overhaul a legal structure that was designed to cope with the 1930s Depression. And US banks may be doomed to live with it for the rest of the 20th century. As one observer put it: "You need two things to achieve reform: crisis and consensus." There is still an element of the former, though it is dwindling as the recession flattens out and bank stocks recover on the stock exchange. The latter has always been in short supply.

These are early days, of course, and the pessimistic judgment could be premature. Insofar as the Brady plan has won plaudits, it is for tackling the US banking industry's problems across a broad front rather than piecemeal. "We wanted a comprehensive package, and that is what we got," says Sir Dennis Weatherstone, the chairman of J.P. Morgan and one of the leading proponents of change. "That does not mean that it's an ideal package, but we're very pleased here."

The forces lining up against comprehensive reform are broadly twofold. First is the formidable alliance of special interests which feel threatened by the proposed changes; these range from grass-roots banking communities that fear the switch from state-based to nationwide banking, to the Federal Reserve Board whose supervisory powers would be heavily curtailed under the Brady plan.

Second, the debate within Congress itself is clearly focusing on short-term issues of sparing the taxpayer another enormous savings and loan-style bail-out. Broader issues concerning the need for a modern regulatory structure have been pushed into second place.

Not that Mr Brady is ignoring the political realities. He has played on fears of a credit crunch, and he has stressed the losses that will have to be borne by the taxpayer if the deposit insurance system is not refinanced. He has even appealed to raw nationalism by depicting weakened US banks in a world where once they were the dominant players. "Today, the US does not have a single bank among the world's 25 largest," he said. "Twenty years ago we had seven."

If crisis does prove to be the driving force for reform, it will be through the proposals for change in the deposit insurance system because this will have to cushion the taxpayer against loss. A reform bill would be a vehicle to which other less urgent measures could be attached. Mr Robert Dugger, chief economist at the American Bankers Association, describes it as "the fuse which could set off a string of firecrackers".

Two things need to be achieved here. The Bank Insurance Fund, which pays out depositors in failed banks, has to be recapitalised. Mr William Seidman, the chairman of the Federal Deposit Insurance Corporation, estimates that it requires another $10bn (£5.6bn) to meet expected losses this year. This will have to be borrowed, probably from the Fed, but ultimately paid for with higher insurance premiums from the banks.

Although the big banks are not enthusiastic about refinancing the Bank Insurance Fund because of their own parlous state, they accept that it would be politically desirable to be seen to be making a contribution, particularly if this increases the chances of wider reforms. "We'd swallow hard and do it," says Mr William Haraf, Citicorp's vice-president of policy analysis in Washington.

However, the insurance issue is linked to the question of whether the US government should have a policy which treated certain banks as "too big to fail" – in other words, that they should be bailed out regardless of their insurance cover.

The Treasury wants to retain this right because it must be free to act when the system or the national interest are threatened. The bail-out decision would be made jointly by the Treasury and the Fed, but the cost would fall on the FDIC and banks.

However the greater part of the banking industry is hotly opposed to this idea because bail-outs tend only to happen to large banks. Mr James Watt, president of the Conference of State Bank Supervisors, says: "The result of this will be an upstreaming of deposits to the big banks," with the implicit threat that local communities would be drained of credit. The small banks are opposed to restrictions on the scope of deposit insurance which the Treasury wants in order to instil greater discipline in bank managements – again because comprehensive insurance enables them to compete with big banks.

The Treasury's proposals for inter-state branching have also run foul of local interests. It has not been difficult for the small bank lobby to raise the spectre of large banks tramping across state borders and shifting lending decisions from a bank manager on

Some raise the spectre of large banks shifting lending decisions from a bank manager on Main Street to a computer in a Manhattan skyscraper

Main Street to a computer in a Manhattan skyscraper. Mr Watt of the CSBS stresses that his group is not opposed to inter-state banking as such, but he wants it done by state subsidiaries under local control rather than branches.

Individual states also fear the loss of tax revenue that would follow if banking profits earned in their states were attributable to corporations domiciled elsewhere. Delaware has estimated this loss at $70m a year.

However, the question is whether state banking interests would be willing to concede the inter-state branching battle in order to be more certain of victory in the crucial engagement over deposit insurance. There is a belief that this may be so, and that Mr Brady's desire to open up nationwide branching therefore has a chance of making it to the statute book.

The other deregulatory proposal, to lower the barrier between commercial and investment banking embodied in the Glass-Steagall Act, appears to have less steam behind it.

One reason is that the Fed has already relieved some of the pressure by using its special powers to grant certain banks the right to deal in investment securities. Another is that few banks are now strong enough to take advantage of deregulation in this risky area anyway. A third is that the Securities Industry Association, while dropping its fundamental opposition to reform, is still fighting the small print. Mr Gedale Horowitz, its chairman, says that banks should not be allowed to subsidise their investment banking operations by funding them with federally-insured deposits.

Ironically, the strongest opponents may turn out to be the foreign banks which will be forced to incorporate their US operations into local financial holding companies. These companies would have much less firepower than if foreign banks could operate directly through branches using the parental balance sheet.

Although the US Treasury's proposal that banks only be allowed to engage in investment banking activities through separate subsidiaries for safety reasons came as no surprise, it is still cumbersome. Groups such as J.P. Morgan, one of the few banks to have been granted securities powers, and American Express, a diversified financial company, welcomed it as a step forward, though in an ideal world, they would like to become much more streamlined. Mr Paul Seader, assistant general counsel at American Express, says regulation "forces us to twist ourselves into pretzels".

A related question is whether industrial companies should be permitted to own bank holding companies. Mr Brady sees it as a way for new capital to enter the banking business. But his proposal has offended strongly held beliefs about the need to keep banking and commerce separate. "It's the American way and it always will be the American way," says an official at the New York Fed.

A more rational objection is that if the US banking industry proved capable of earning the necessary returns, it would attract new capital anyway. So the prime goal of reform must be to raise the value of the banking franchise. The Treasury estimates that its plan could save the US banking industry $10bn a year on nationwide branching alone, a big figure in the context of the $16bn of profits which banks earned last year.

The proposal of Mr Brady that has caused most puzzlement is his plan to rejig regulatory responsibilities for banking. The Treasury would emerge as the leading agency, with the Fed playing a secondary role. The FDIC would be removed from the regulatory scene altogether. The Treasury describes this as a practical realignment, but it is seen as a blatant power bid by Mr Brady's team, and the public comments of Mr Alan Greenspan, the Fed chairman, are awaited with some interest.

This particular debate may be sterile because the proposal is thought to stand the least chance of enactment. The Treasury may nevertheless succeed in provoking more discussion about the style of regulation: it wants the authorities to keep a closer watch on banks and intervene earlier in banking crises so that troubled institutions can be shut down while they still have some capital left with which to repay depositors and creditors. Only strong banks would be allowed to diversify.

Tactically, the Treasury may have made a serious blunder in creating the perception that its bill favours the big banks over the small. The removal of geographical and product barriers suggests this, as does the incorporation of a "too big to fail" policy, and the emphasis on the United States's need for a place in the international big bank leagues. The Treasury, naturally, denies such an interpretation. "It is not a big bank bill, it is a strong bank bill," says a senior official.

The Treasury may also be confused about its goals: it claims that the bill is a deregulatory move, yet throughout the stress is on closer supervision and "early intervention" when things go wrong. Similarly, it stresses the need for greater competition, yet the removal of geographic barriers would open the way to greater concentrations of banking power, and favour banks with strong capital. "The rich will get richer and the poor will get poorer," says Mr Tom Hanley, the banking analyst at Salomon Brothers, the US investment bank.

However, it is clear that the prospects for the plan will turn not on the big issues but on Congress's desire to avoid further banking scandals.

Circumstances will indicate whether Mr Brady can push for a complete package, or whether he will have to concentrate on the few proposals that have a chance of success. If he fails to make much headway, the US banking industry and the authorities will have to address with some urgency more practical means of raising the financial strength of banks. This could well accelerate a wave of mergers, and a further retrenchment by the large banks from the international scene.

OBSERVER

Fighting talk

■ Old generals never die, they just fade away into obscurity – unless, that is, they happen to be Argentine General Leopoldo Fortunato Galtieri. He has just broken cover to offer his first reminiscence of the 1982 war in the Falklands where he led Argentina (which calls them the Malvinas) into a frightful military fiasco against British troops.

"If the circumstances were the same, I'd order the recovery of the Malvinas by sending in military forces," he told an Argentine news agency in Buenos Aires during the unveiling of a monument to his countrymen who died in the South Atlantic conflict.

Galtieri – pardoned by President Carlos Menem last year for his role in Argentina's failed campaign – had previously been remarkably quiet. The only public attention he attracted was centred on the passing-away of a legal action Galtieri brought against Eduardo Angeloz, governor of Cordoba province and Radical Party presidential candidate in the 1989 elections.

In 1988 Angeloz publicly called Galtieri "a drunk" and implied booze was one reason he had conducted such a poor show during the Falklands War. Last year the general quietly dropped his libel action, for no apparent reason.

Under-borrowed

■ Hubert Perrodo's cash-strapped Kelt Energy, which has never recovered from buying a company twice its size two years ago, has missed deadlines before. But tomorrow sounds extra-special because it's supposed to be the deadline the banks set on the deferment of interest payments while the group was trying to refinance itself.

In the meantime, the polo-playing Frenchman seems to have fallen out with fellow chukka-chappie Jock Green-Armytage, who has just been unseated only 15 months after being hired as the company vet. The sale of Kelt's Wytch Farm stake has taken a tumble too, and Kelt's bankers, led by the sabre-rattling American Express Bank, seem to be sounding the retreat.

Perhaps Kelt's real mistake was that not that it borrowed too much, but it didn't borrow enough.

The $271m at stake is not going to bust the banks who stupidly lent the money in the first place. If that were the case, Perrodo would be in a better bargaining position.

Safety first

■ A colleague, a devotee of the late Graham Greene, once met the great man at a Spectator lunch in London.

Plucking up courage, he asked the author why he had never written about Northern Ireland. Here, after all were classic Greene themes: a low key insurrection bleeding the province dry, catholicism holding its own against all the odds, a neo-colonialist regime barely tending its roots.

The then 76-year-old Greene replied that he had been to Northern Ireland at the height of the troubles, spent time with some famous local spooks, and got caught up in a nasty demonstration in Londonderry.

Why didn't he return and complete research for a book?

"I'm too old to get killed," he said.

Faint praise

■ Surprise, surprise: Britain has picked a career civil servant as its first executive director at the European Bank for Reconstruction and Development scheduled to open on Monday week.

Tony Faint, 48-year-old under-secretary at the Overseas Development Administration, has spent the past year heading the UK team setting up Jacques Attali's BERD. He has also worked the overseas development beat in Malawi and Bangkok, as well as doing a traditional stint at the World Bank where he was alternate director to the man from the Treasury.

So he's doubtless a safe pair of hands.

But given the supposed private-sector bias of this new financial vehicle, a merchant banker or industrialist would have been a more inspired choice.

Out of order

■ One's heart goes out to the Bishop of Bruges in northern Belgium. Just as he was looking forward to a post-Easter rest, the six maverick nuns have come back to bother him.

The trouble began last year when he fired the abbess of their order, the Poor Clarisses. The six sisters, mostly in their 80s, promptly sold their convent for US$1.4m and decamped in a Mercedes limousine, leaving behind not only their stable of racehorses but their financial manager Ronny Crab. He was later arrested on suspicion of forgery, fraud and breach of confidence, but released after 40 days pending trial.

The nuns rematerialised in a castle in the south of France then, as it had no heating, returned to Belgium in December, lodging themselves in a holiday resort.

They are now moving to a spacious villa near Antwerp, intending to turn the room above the garage into a chapel – a plan which has made the bishop cross, if not incensed.

"They can't just create a chapel like that; they have to ask for permission from the church authorities," said his spokesman. "It's all a bit weird."

Age factor

■ Britain's insurance ombudsman reports that a woman decorating a kitchen left her small son alone with the paint, and returned to find he had sprayed the stuff everywhere. So she claimed under her house insurance contract, citing the clause covering damage from "malicious persons or vandals".

The claim was rejected on the grounds that her son had acted, not as a vandal, but like a six-year-old boy.

How she'd have stood if he'd been 16, who can say?

Nostalgia

■ Observer's "golden intro" award for public speakers goes to the new UK Chief of Defence Staff, Field Marshal Sir Richard Vincent, for the following opening to a speech at a City of London dinner:

"Time was, ladies and gentlemen, when gay meant cheerful, clap meant applause, and only generals had aides."

ECONOMIC VIEWPOINT

Saving monetarism from monetarists

By Samuel Brittan

Rarely can an economic prognostication have been so quickly falsified by events as that from the "Liverpool Six" monetarist economists, in their letter to The Times, published on February 13. This warned about "a depression which would get out of control" without a change of policy and generate the type of monetary problems "*that triggered the Great Depression of the 1930s*".

The writers put the blame on the delay in cutting interest rates, which "should have been cut significantly". That should be accompanied, the Liverpool Six argued, by a "sharp depreciation in sterling", especially against the dollar. To remove obstacles to this course, "ideally the UK should leave the European Exchange Rate Mechanism, to adhere to soundly based monetary targets". If the UK nevertheless stayed within the ERM, it should realign downwards.

The economists who come out best from the Liverpool episode are the two or three who were expected to sign the letter, but did not. The name of one – Professor Geoffrey Wood – even appeared on an earlier typewritten version. But, although Wood had opposed joining the ERM, he

The fuss about monetary overkill was due to a teenage-type projection

believed that to leave it now, and announce that the UK was going back to monetary targets, would carry no credibility. You can say that again.

In any case, since the Liverpool letter was published, UK base rates have been cut three times by a total of 1½ percentage points – the first of these cuts on the day the letter was published. (Indeed the Bank of England does not consider that base rates could have been reduced any faster outside the ERM because of the need to make sure that inflation was well and truly subsiding; and the Treasury believes the ERM to have been only a slight drag in the winter).

But these changes have been accompanied neither by UK departure from the ERM nor a downward realignment of sterling. On the contrary, sterling has risen to second place in the ERM currency grid, and could take an increase in German interest rates in its stride. (Indeed *Sir Alan Walters* should have stuck to his original complaint that the ERM would be a force for too low interest rates instead of rushing to argue the opposite).

Sterling has also fallen substantially against the dollar since February; or, to put it less parochially, the dollar has risen by an average of nearly 10 per cent, despite the hesitations of the last couple of days.

As for depression, the Confederation of British Industry now expects output to level out in the second and third quarters of the year, before starting to recover. By the end of 1992, non-oil GDP is expected to be rising at 3 per cent per annum, slightly higher than the official estimate of underlying growth, even though unemployment will still be rising under the influence of earlier output losses. No wonder the Treasury is believed to favour a late election. Meanwhile the balance of businessmen expecting to raise prices is, at 4 per cent, the lowest since the CBI monthly survey began in 1975.

Confidence in the domestic target type of monetarism will not be increased by the third bulletin of the Shadow Monetary Policy Group (modelled on the US Shadow Open Market Committee and published by the Institute of Economic Affairs).

Some six of the group's nine members have suggestions for monetary targets for the year ahead. Two of them argue mainly or exclusively in terms of an M0 (cash with the public plus bankers' deposits at the Bank of England) target of 0 per cent to 3 per cent. This is indeed a shade more severe than the government's own target. The fuss about monetary overkill in the Liverpool letter seems to have been due to a teenage-type projection of a short-lived standstill in the three months to last December.

A third member insists on targets for the broadly-based M4 (cash plus bank and building society deposits). A fourth has a target for M2 (a broadly-based aggregate which excludes large wholesale deposits). A fifth prefers a target for base rates. Finally Peter Spencer makes an interesting plea for Domestic Credit Expansion, which was used as a target when Britain last had a fixed exchange rate, but which the Bank of England no longer publishes.

David Hume (1711-76): the greatest of all the monetarists

The last thing I want to do is to crow at the disarray of the monetarists. Those of us who support the ERM will have some explaining of our own to do, if Germany goes through a period of inflationary strain and the D-Mark continues to weaken under the pressures of unification. Such strains can be resisted by partner countries allowing their interest differentials against Germany to erode, and if necessary to go into reverse. In the last resort they can even realign upwards against the D-Mark. These expedients will suffice so long as any German weakness is temporary, as it surely will be.

* * *

Just as war is too important to be left to generals, monetarism is too important to be left to monetarists. Too many Anglo-Saxon monetarists not only espouse "monetarism in one country" (as Stalin espoused "socialism in one country") but insist in the face of history that it is the only form. They refuse to see that a choice between a direct monetary rule and an indirect exchange rate depends on circumstances of time and place.

That greatest of all monetarists, the 18th-century Scottish philosopher, David Hume, explained in a famous essay, Of the Balance of Trade, that if the amount of gold in a country were doubled, its inhabitants would not be better off, but would mainly contribute to a higher level of world prices and a redistribution of their gold to their neighbours.

As Hume explained, encouragement to industry is only given "during the interval between the increase of the money and the rise of prices". Subsequent monetarists have explained how even that temporary encouragement depends on the public being taken unawares. Indeed, on a thoroughgoing monetarist analysis, monetary policy can never be so tight as to cause depression, so long as it is predictable and expected; and the only harm from too severe a policy would be an uncomfortably rapid fall in the rate of inflation.

Yet here are the Liverpool Six drumming up depression psychosis just like the 364 economists who protested against fiscal policy during the previous recession of 1981, when Margaret Thatcher was prime minister. In pandering to the belief that governments, rather than markets, determine output and employment, and that inflation can be squeezed out without any transitional pain, the Liverpool Six are as bad as the Cambridge-based 364: indeed worse as they should have known better.

The Shadow Group's secretary, Robert Miller, bravely tries to dig his way out of the quagmire by suggesting an independent Bank of England, although going out of his way not to mention that Nigel Lawson was the first leading present-day Conservative to espouse the idea.

War is too important to be left to generals, and monetarism to monetarists

Miller's own version is based on the Reserve Bank of New Zealand's contract with its government to deliver a 0 to 2 per cent inflation rate by December 1993. He at long last knocks on the head the false notion, prevalent on the City of London cocktail circuit, that the Reserve Bank governor's salary is dependent on achieving the inflation objective.

In any case, the New Zealand model would not quite do in the UK. For, the British government and the Bank of England have the proximate objective of maintaining sterling within its ERM limits, which would make difficult a contract of the New Zealand type. The instinct to link practical monetarism with an independent central bank is a sound one. But the most likely route towards independence is by freeing the Bank of England from government instructions in its contribution to the EC Committee of Central Bankers, which will be the forerunner of any European Central Bank.

BOOK REVIEW

Few answers to green questions

BLUEPRINT 2,
GREENING THE
WORLD ECONOMY
Edited by David Pearce
Earthscan Publications £7.95

A sea-change in thinking about environmental problems has swept industrialised countries in the past few years. The old "*command-and-control*" approach, based on laying down regulations which polluters must obey, is increasingly out of favour. Environmental policy-makers are switching their allegiance to market-based instruments, such as taxes or charges, which give polluters economic incentives to change their ways.

Harnessing the market is a more efficient way of protecting the environment, it is suggested, particularly when coupled with the judicious use of regulations. That this argument has become almost commonplace owes much to the efforts of David Pearce, professor of economics at University College, London. Together with a group of energetic colleagues, Prof Pearce has produced a stream of books explaining the role of economic analysis in environmental policy.

The high point of their efforts so far has been Blueprint for a Green Economy, one of the more surprising best-sellers of 1989. A lucid, yet rigorous exposition of environmental economics, Blueprint caught a mood. Not only was concern for the environment enjoying a surge in the industrialised west, it was also for the first time penetrating the *establishment*. Parties of the right, such as the US Republicans, the British Conservatives and the German Christian Democrats, were rushing to don the green mantle; so too was big business.

These new environmentalists were temperamentally averse to the sentimentalism and doomsterism of traditional eco-campaigners. They demanded hard analysis and even harder facts before agreeing to changes with potentially huge costs. Blueprint seemed to fill that gap. Prof Pearce's appointment as special adviser to the UK environment secretary appeared to signal the final triumph, in Britain at least, of market-based environmental thinking.

And yet the world is not that simple. Recent global environmental initiatives have tended to use the traditional command-and-control approach. The agreement to phase out ozone-destroying chlorofluorocarbons (CFCs), arguably the most successful environmental accord of the past decade, set industrialised countries a common target for reduction in CFC usage. Only the barest nod was made towards the sophisticated analysis of the economic impact of environmental measures favoured by Prof Pearce.

Similarly, the recent drop in world ivory prices resulted from the ban on ivory trade introduced in 1989 against the better judgment of the Pearce school, which argues that managed trade in ivory as a better way to save the elephant. Even the UK government, with Mrs Thatcher in Downing Street and Prof Pearce in Whitehall, drew back: last year's white paper on the environment relegated market-based initiatives to a learned annex, from where they are unlikely to escape so long as inflation remains the government's priority.

Son-of-Blueprint, a collection of essays by Prof Pearce and five colleagues, is being launched into this slightly *choppy sea*. Blueprint 2, Greening the World Economy, is intended to do for global environmental analysis what the original book did for the UK. The sequel addresses the world-scale problems dominating the environmental agenda: global warming, the destruction of the ozone layer, deforestation, population growth, the extinction of animal and plant life, environmental degradation in the Third World.

Blueprint 2 has all the virtues of its predecessor. It is admirably clear-headed in an area where muddle is often king. The book is particularly forceful in dismissing the attacks from head-in-the-sand environmentalists on the original Blueprint. Adopting an economic approach to the environment is not the same as aligning oneself with commercial interests. On the contrary, by identifying benefits traditionally unvalued, such as the role of tropical forests in slowing down global warming, environmental economics can deliver an even stronger case for conservation.

The framework adopted is described, rather clumsily, as "modified cost-benefit analysis". First, the interests of future generations are taken into account through the axiom that each generation should hand on to the next the same quantity of capital (both man-made and natural) as it inherited: this is the operational heart of the notion of sustainable development. Second, a value is given to goods which are not traded, such as the ozone layer or the survival of species.

The policy options supported by this approach are typically mid-way between radical green preservation at all costs and hell-for-leather economic development. As a framework, it is admirably reasonable and convincingly argued.

But Blueprint 2 is ultimately disappointing because it generally fails to progress much beyond conceptual ground-clearing. Although an excellent introduction to the most pressing environmental issues, too many of the essays leave the reader asking the question: and so? What does the analysis imply in practice for a country or a company contemplating *decisions* which involve conflicts between environmental and economic goals?

The difficulty lies not in the analytical tools deployed by the authors, but in the practical problem of valuing the environment. Some of the Blueprint 2 studies skirt the problem by avoiding quantitative analysis and detailed policy prescription; others quote so many differing figures that almost any conclusion is possible.

If there is to be a Blueprint 3, it would need to offer clearly costed solutions to precise problems facing world governments. Otherwise, market-based solutions could continue to win the theoretical plaudits, while old-fashioned command-and-control *regulations are* quietly preferred in practice.

David Thomas

LETTERS

EC must face US electronics challenge

From Dr R J Smith-Saville.

Sir, Your editorial "The fashionable place to be seen", (March 26), addressing the plight of the European electronics industry, comments that European demand is depressed by artificially high prices compared with the US. You ascribe such prices in the computer and consumer sectors to the ability of dominant producers to charge premium prices because of weak competition.

There are other equally important causes of the plight of the European electronics industry which must be recognised and addressed. The European industry has few of the advantages of the US electronics industry. The US market is large, deregulated and much better integrated than the EC. Development of advanced technologies is supported by a massive defence programme and by civil programmes such as Nasa.

The US still has a strong, low cost components industry which, coupled with low distribution costs, low facilities costs and access to low cost labour in Mexico and elsewhere, enables the US to achieve very low manufacturing costs. This is reinforced by the US cultural emphasis on quantity manufacture of minimum cost designs, rather than the European tendency to emphasise technical excellence at the expense of manufacturing cost – *the Ford versus* Rolls-Royce syndrome.

In many instances the technology has been commercialised first in the US because the US is a large, receptive market. This not only gives US manufacturers the advantage of volume manufacture before their European competitors, but also gives them the corresponding equipment supply records and operational experience to reinforce their credibility as suppliers. On top of all these advantages the dollar is still unrealistically weak relative to European currencies.

By contrast, procurements are still much more fragmented in Europe and differing standards are applied, with differing degrees of openness to real competition and a continuing tendency to "gold-plated" specifications. Such specifications are expensive to meet and, in the event, are ultimately often abandoned in favour of low-cost US imports.

The European electronics industry needs a much better integrated market, a cultural *shift in emphasis away from* "gold-plated" requirements to cost-effective designs, access to low-cost components (instead of the present situation where tariffs on components are higher than on many manufactured goods), and willingness *on the part of EC governments* to recognise and match the direct and indirect subsidies which continue to be available to the US and Japanese electronics industries. Ideally it also needs a realignment of the dollar.

R J Smith-Saville,
managing director,
Signal Processors,
Cambridge Science Park,
Milton Road, Cambridge

House-building on firm ground

From Mr Duncan Davidson.

Sir, The almost invariably astute pen of Lex seems to have misinterpreted the facts supporting the four recent rights issues by UK house-builders (March 28).

All four companies already had strong balance sheets, by no means in need of any repair.

Land is a basic raw material of the housebuilding industry, and only a small proportion of it comes directly from "rich farmers" – the source of the land is in any event irrelevant to the builder.

There is an unquestioned *requirement for between* 150,000 and 200,000 new homes in the UK every year for the foreseeable future. Builders have to buy land to meet this demand. The price they can afford to pay for land is dictated by the prices at which they can sell houses.

Duncan Davidson,
group chairman, Persimmon
Persimmon House,
Fulford, York

Job levels for women targeted

From Mrs Alison McNair.

Sir, The Labour party's idea of a ministry for women as a "change champion" to promote women's interests may be new to central government *but not* to local Labour councils. They have operated committees for women, race or equality for some time with the same purpose in mind.

One of the objectives of Lewisham council's women's committee was to increase the proportion of women employed by the council. Unable to operate quotas – illegal under the Equal Opportunities Act – they adopted a series of "targets" for each class of job in each department.

As a Conservative member of the social services committee, I received a many-paged report indicating the "targets" to be achieved for each type of job. Each year, these were to be monitored in detail until *achieved*.

Social services always employs large numbers of women. If the target levels were reached, the percentage of women in the department would have exceeded 80 per cent.

All this is done in the name of equal opportunities and is not an April Fool.

Alison McNair
formerly social services
spokesman for the
Conservatives
on Lewisham Council,
3, Eliot Vale,
London SE3

Skill stock vital

From Mr G K Maddrell.

Sir, Peter Robinson in his article "Training is not a panacea", (March 14) states that we have no real idea of the increase in productivity that would arise by doubling the *numbers of* National Vocational Qualifications Level 3 (A-levels or their vocational equivalent). He may not have, but we in the Training and Enterprise Council movement are in no doubt of the value.

A figure has been quoted by the director-general of the National Economic Development Office, with which we agree that 1 per cent of the working population converted from unskilled to skilled is worth a 2 per cent productivity increase. *This figure explains* the 70 per cent higher productivity in west Germany.

The main point of his article, that we should also consider ways we can reduce wage inflation in relation to employment levels, still stands, but a key factor must be our ability to pay for higher levels through productivity and hence the importance of increasing the UK skill stock.

G K Maddrell,
chairman,
Manchester TEC,
Boulton House,
17/21 Chorlton Street,
Manchester

Pyrrhic victory

From Mr Marcus S Pomice.

Sir, A deafening shameful silence has descended upon America as the tragic consequences of the Gulf war unfold.

The brutal aerial destruction of Iraq, bombing it back to a "pre-industrial state", killing and injuring hundreds of thousands of people and creating civil and environmental chaos, should not elicit feelings of national pride.

On the contrary, a superpower eager to rationalise slaughter and devastation while too impatient to trust peaceful alternatives is morally and politically bankrupt.

As the unwarranted patriotism of this Pyrrhic victory fades, a "Persian Gulf Syndrome" will soon develop, haunting our nation well into the 21st century.

Marcus R Pomice,
2587 SE 8th Street,
Pompano Beach,
Florida,
USA

Party proposals to be contested

From Mr Fergus Nicholson.

Sir, The dissolution of the Communist party has been erroneously reported in the press on several occasions in the past few years. On Thursday your correspondent fell into this error ("Communists lower the red flag", March 28).

The event she was reporting was the issuing of proposals which will be debated up to and at our national congress in November this year. It is not for me, nor for anyone else, to announce now the result of that democratic process. You might, however, go so far as to assume that these proposals will be vigorously contested.

Fergus Nicholson,
52 Tournay Rd, SW6

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Thursday April 4 1991

REPRESSION OF THE KURDS

France urges UN to condemn Iraqi action

By **Ian Davidson** in Paris, **Robert Mauthner** in London, and **Michael Littlejohns** at the United Nations

Some of the Kurdish refugees to cross successfully into Turkey arrive at a camp near the Turkish town of Semdinli.

FRANCE yesterday called on the UN to condemn Iraqi repression of the Kurdish population fleeing the onslaught of the advancing President Saddam Hussein's army in northern Iraq.

Paris despatched a government minister to the embattled Kurdish region as up to 2m refugees were reported heading towards the Turkish and Iranian borders threatened, according to the UN officials, with genocide.

The move came as the Baghdad government announced that it had put down the insurrection in the north of Iraq.

In New York a majority of Security Council members yesterday agreed on the terms of a resolution of a permanent ceasefire in the Gulf War, the withdrawal of allied troops from its territory and a ban on Iraq's weapons of mass destruction.

The resolution is the most complicated and ambitious attempt ever undertaken by the UN to settle a war and punish an aggressor state.

It does not, however, address Iraq's repression of the Kurdish and Shia Moslem populations. The Turkish government has proposed that the Council adopt a further resolution calling on President Saddam Hussein to end the suppression.

Mr Thomas Pickering, the US delegate, said intensive consultations on this were already under way. The subject is delicate for President George Bush who urged Iraqis to rebel against Mr Saddam but has since declined to provide US military aid requested by the Kurds and Shias.

France has urged that the Security Council maintain the UN embargo against Iraq so long as the Baghdad regime continues it repression of the Kurds. It was unclear whether it would hold up debate on the ceasefire resolution in order to get such assurances.

French President François Mitterrand told the French cabinet that "the political and moral authority of the UN would be gravely affected" if it failed to act to protect the Kurds.

An Iraqi opposition spokesman was quoted as saying in Damascus. "Planes and helicopters are bombing roads leading to Syria, Turkey and Iran, which are clogged with hundreds of thousands of Iraqis fleeing on foot from the savagery of the regime."

"A whole population is being annihilated, thousands have been been killed and displaced," he added.

The United Nations High Commissioner for Refugees (UNHCR) warned the threat of genocide was looming in northern Iraq, where hundreds of thousands of Kurds are fleeing Baghdad's troops. Commissioner Sadako Ogata said she had been told on Tuesday that 7,000 Kurds had crossed from Iraq into south east Turkey.

Her comments followed Iraqi government claims yesterday that its troops had recaptured Sulaimaniya, the last major town in Kurdish rebel hands. Sulaimaniya is situated near the Iranian border and some 100km (60 miles) east of Kirkuk, recaptured by government troops last week.

In Paris, meanwhile, Mr Roland Dumas, the French Foreign Minister, told parliament that the special envoy the government was sending to the Kurdish region of Baghdad was Dr Bernard Kouchner, junior minister for humanitarian affairs, who was one of the founders of the international relief organisation Medecins sans Frontières.

Mr Dumas indicated that though he was waiting for official permission for Dr Kouchner to enter Iraq to arrange supplies of medicaments, food and clothing for the Kurds, the mission would take place even if it was not authorised by Baghdad.

The 12 European Community governments also denounced Iraq's repression of Kurdish and Shia uprisings yesterday as brutal and said only dialogue could unify the country.

The British government said in London that it was ready to consider requests for more aid to Iraqi civilians and a spokesman added that Britain wanted swift action on the plight of the Kurds by the UN Security Council.

Thatcher appeal for aid; US list of 'agents', Page 4

Turkish army tries to stem the human tide

TURKISH authorities said yesterday that troops would attempt to dissuade a tide of Kurdish refugees from fleeing across the bleak mountainous border in the wake of the brutal onslaught of the vengeful Iraqi army.

Mr Murat Sungar, foreign ministry spokesman, said the Turkish armed forces had taken up "visible" positions along the 150-mile border to stop a "massive" influx. However he denied press reports that Turkish soldiers had fired above the heads of approaching Iraqi refugees.

Ankara's tough stance towards the refugees came amid a growing international outcry over the fate of the Kurds after troops loyal to President Saddam Hussein brutally crushed the short-lived Kurdiush rebellion in northern Iraq. International relief agencies said at least 2m Iraqis were believed to be fleeing from government troops.

Baghdad said yesterday that Sulaimaniya, the last major town in Kurdish rebel hands, had been recaptured. Meanwhile, President Saddam's forces were reportedly advancing closer to the Turkish border to block the route of Kurds desperately trying to escape what their leaders are already calling another genocide.

The capture of Sulaimaniya, the cradle of Kurdish nationalism, appeared to spell the end of a month-long attempt by Kurds and Shi'ites in Iraq's southern heartland to rise against Mr Saddam.

The steady trickle of refugees in Turkey since Iraq's invasion of Kuwait last August has accelerated to dramatic proportions since the Iraqi government moved to crush the Kurds' spontaneous uprising three weeks ago.

Mr Mehmet Yazar, the defence minister, warned yesterday that 250,000 people were waiting to cross. To date, about 10,000 have crossed, of which 4,000 have arrived in the past four days.

The interior ministry announced that two new camps had been set up at Cukurca and Silvan, while the Turkish Red Crescent and other agencies mounted efforts to bring tents and other provisions to the border area.

Turkey has protested in "very strong language" to the Iraqi ambassador to Turkey. On Tuesday, following a meeting of Turkey's national security council, Mr Yildirim Akbulut, prime minister, called on the United Nations Security Council to condemn Iraq's attacks on the Kurds. He urged the UN to co-ordinate an international effort to resolve their plight.

Mr Sungar, however, said the refugee crisis was "not only Turkey's problem. A global solution must be found."

The head of Turkey's parliamentary commission on human rights said the international community should now strive to save lives in the same way they were trying to put out oil well fires in Kuwait.

During the crisis, Turkey has moved to ease language restrictions faced by its own Kurdish speaking population, representing half of the Middle East's 20m Kurds. President Turgut Ozal also signalled a dramatic shift in policy towards the Kurds by inviting Mr Jalal Talabani, leader of the Iraqi Kurdish opposition group, to Ankara for talks.

President Ozal said this week that Turkey wanted to help not only the Kurds but all Iraqis. Unlike France, which has also called for action from the UN Security Council, Turkey has little sympathy for the Kurds' wider political aspirations.

Officially, Turkey does not recognise Iraqi Kurds as refugees. Under the so-called geographic limitation to its signature of the United Nations High Commission for Refugees convention, Turkey only recognises European refugees.

The UNHCR this week approved the despatch of additional assistance to deal with 100,000 refugees. Tents and blankets for some 20,000 arrivals are already in place, with a a camp at Silopi set up. But aid officials warn that many of the refugees are crossing the mountains, where severe weather conditions prevents the use of tents.

The European Commission yesterday agreed to send Ecu5m ($6.2m) to international relief agencies dealing with Kurdish refugees.

One western official said there was now an urgent need for donors to make available earlier pledges of assistance, warning Turkey was about to be overwhelmed by the swarm of refugees now streaming towards its southern border.

THE LEX COLUMN

Back to watching Wall Street

To the extent that yesterday's record-breaking close on the FT-SE was due to Wall Street, there is room for slight unease. Previously, Wall Street had gone up on dollar strength. Now it is going up on dollar weakness. But on the whole, the second course is the more rational. Having briefly convinced itself that the US interest rate cycle had bottomed, the market has now swung back to expecting a final half point off the discount rate. US equities might therefore be expected to benefit from a further switch out of cash. But if further Fed easing is a response to continued economic weakness, the market had better be sure it can see a recovery in corporate earnings according to its previous timetable.

Meanwhile, the UK market's expectations on base rate cuts are put on hold by the worry that the Bundesbank might raise German interest rates later today. This in turn owes much to Tuesday's figure of nearly 20 per cent annual growth in pan-German money supply. Guessing the policy response to events in east Germany is made no easier by Monday's assassination of the head of the Treuhand. But even if German rates go up eventually, the US influence on the UK markets might, with luck, prove the more powerful.

Tesco

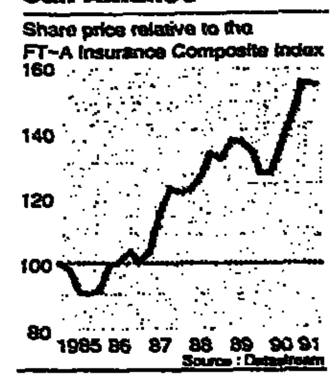
No-one really doubted Tesco's ability to top January's rights issue profits forecast of £416m. However, this does not quite explain why the shares have kept pace with the market's spurt since the end of the Gulf war while the food retailing sector has underperformed by 4 per cent. Part of the reason will be investors' faith in a management clearly at the top of its form. Net profit margins last year improved from 6.0 per cent to 6.6 per cent; the rights issue proceeds mean there is cash in the till; and the company swears that gearing will not exceed 35 per cent despite the hectic store expansion programme of the next three years.

If Tesco can continue to deliver anything like the earnings and dividend growth of recent years, its shares would be sensibly valued at a premium to the market rating, at least in the medium term. It might seem curious, then, that even after their recent relative strength they should be trading at a small discount.

Since the start of last year, Tesco's shares have outperformed Sainsbury's by 10 per cent and Argyll's by more than 2 per cent, topping the market by 45 per cent over the same period. If the handful of top food retailers are no longer rated for their traditional defensive virtues but on criteria more in keeping with the longer-term risks inherent in their dash for growth, it becomes a matter of judgement which offers the best value. Switching from Sainsbury to Tesco or Argyll was last year's smart play. This time, the move is much harder to call.

Sun Alliance

Share price relative to the FT-A Insurance Composite Index



Source : Datastream

WTA

The 7 per cent jump in Wiggins Teape Appleton's share price yesterday represents a further stage in the UK market's education about the European paper industry. The 9 per cent drop in WTA's pre-tax profit last year is largely irrelevant. What matters is the promise of cost savings in the merger with the French group Arjomari.

Cross-border deals of this kind are tricky to assess, turning as they do on the creation of a new managerial culture. The market has eventually warmed to the Anglo-American drug merger between Beecham and SmithKline. Nearer to home, it might well have doubts about the Anglo-French packaging merger CMB, which yesterday produced a 24 per cent fall in 1990 earnings. Of the two, WTA/Arjomari seems closer to the former in terms both of management strength and of market position. This is not to say that the immediate prospects are exciting, if only because the programme for cost savings stretches over the next five years. Having produced virtually unchanged earnings last year, the merged business may do no better in 1991.

This kind of steady and unexciting earnings performance is in sharp contrast to the paper industry as a whole, where the huge swings in pulp and commodity paper prices made for a cyclical collapse in profits last year and will allow a correspondingly sharper recovery when the cycle turns up again.

On the face of it, WTA's shares look correspondingly stolid and dependable, on 11 times earnings at yesterday's 233p. On the longer view, though, there is some attraction in the idea that the merger process might turn out more profitable than is yet foreseen.

Sun Alliance

Sun Alliance must be the envy of its UK competitors. The worst year for composite insurers in living memory wrought hurricane-like havoc on most composite balance sheets, yet left Sun's notorious financial strength largely unimpaired.

A 90 per cent solvency ratio - up from 80 per cent since the end of December - not only underpins the group's view that equities and property will provide the best investment returns in the long run. It also means Sun will be under less pressure than its rivals to abandon market share in pursuit of harder premium rates in coming months.

The real question, though, is whether Sun Alliance should devote its formidable resources to the much-needed shake up of the UK's insurance industry. Admittedly shareholders will be feeling grateful for management's caution in the recent past. The fact that there has been no ill-fated dash for growth via estate agents, Italy or New Zealand banking accounts for much of the premium rating. On the other hand, it would be a pity if the company turns out to be too gentlemanly to shirk the challenge which must eventually be addressed close to home. UK composites are only medium-sized insurers by European standards, a weakness which will become increasingly apparent in the single market.

Then again, the possibility that Sun may suddenly go for growth via acquisition or merger could yet cast a shadow over the share price. At a yield of 4.9 per cent Sun is one of the highest-rated shares in its sector. On the basis of asset value, it is not clear that the sector itself is cheap any more, given the number of shares now trading close to net asset values - or even at premiums - by contrast with discounts of 20-30 per cent not so long ago.

Waigel attacks Treuhand image as favourite emerges for chief

By **Leslie Colitt** in Berlin, **David Goodhart** in Bonn and **Andrew Baxter** in London

MRS BIRGIT Breuel, deputy president of the Treuhand, emerged yesterday as the favourite to replace the murdered Mr Detlev Rohwedder as head of the controversial agency privatising east German industry.

The final decision, which will be taken after consultation with Chancellor Helmut Kohl and the Finance Ministry in Bonn, will be announced next week. There is strong pressure for an internal candidate because there have already been several changes in the structure and leadership of the Treuhand in the past few months.

Mrs Breuel, a member of Mr Kohl's Christian Democratic Party, is a former finance minister in the west German state of Lower Saxony.

The German president, Mr Richard von Weizsäcker, announced that Mr Rohwedder would be honoured with a state funeral in Berlin next Wednesday, which will also be a national day of mourning.

At a press conference in Berlin yesterday, Mr Theo Waigel, Bonn finance minister, said the Treuhand's "negative image" needed to be challenged and implicitly criticised the organisation for not having presented its achievements vigorously enough.

Waigel: image change call

However, one senior official countered that until very recently the accent set by the Finance Ministry, which controls the Treuhand, had been exclusively on privatisation rather than on restructuring the majority of companies not yet ready for privatisation.

The rhetoric of the Finance Ministry and the Treuhand has changed, over the past few weeks, to concentrate more on restructuring and co-operating with the east German state governments in keeping alive all but the most hopeless companies.

It now seems likely that the Finance Ministry will have to raise the Treuhand's DM25bn ($15bn) credit limit for 1991 if the organisation is to invest in the currently unsellable companies.

Mr Odewald yesterday said 566 of the 8,000 larger companies under Treuhand control had been privatised in the first two months of this year, double the number in the first half of 1990. The Finance Ministry also says that DM47bn in private investment has been pledged in east Germany, mainly in association with privatisation.

GEC Alsthom, the Anglo-French engineering group, yesterday announced its first acquisitions in east Germany with the purchase of Kesselbau Zeitz and Kesselbau Neumark from the Treuhand. The two concerns, which employ 380 people, rehabilitate and manufacture steam generators.

Two other privatisations were announced. Unilever said it was taking over an oil and margarine company in Mr Rohwedder's birthplace of Gotha. And printing machine producer König & Bauer confirmed it was buying 75 per cent of east Germany's internationally renowned Planeta printing group in return for a DM45m capital injection.

UK warns China over Hong Kong airport

By **John Elliott** in Peking

MR DOUGLAS Hurd, Britain's foreign secretary, is to warn China today that Hong Kong's plans for a HK$100bn ($12.8m) international airport will be shelved unless Peking abandons its 18-month opposition to the project.

This is the toughest line the UK has taken for many years with China, which regains sovereignty over Hong Kong in 1997. It shows that Mr Hurd, who is on a five-day visit to China, believes a stand must be taken over the airport to demonstrate that China cannot expect to control events in the colony before 1997.

"We are really talking about going ahead soon [on the airport] with China's acquiescence or saying, sorry, the price being asked in terms of political control is too heavy and the project will have to be shelved," Mr Hurd said in an interview with Radio Television Hong Kong, due to be broadcast this morning.

It has been known for some time that Hong Kong might be unable to build the airport without China's blessing because international financial institutions would be reluctant to provide funds. However, this is the first time that this practical point has been stated publicly as a threat.

The airport is urgently needed to maintain Hong Kong's economic growth because the colony's Kai Tak airport is near saturation point. China agrees that a replacement is needed but it has been trying to persuade Hong Kong to water down its plans to conserve its financial reserves of about HK$73bn.

Peking's real aim, however, is to establish a precedent so that it can have a big say in Hong Kong's internal affairs before 1997. For this reason, Mr Hurd decided, after consultations yesterday with Hong Kong's executive council, that the price in terms of "political control" could be too much.

Mr Hurd's main purpose in visiting Peking is to try to win China's trust so that "stagnation" on the airport and on other 1997 preparatory work can be cleared.

Mr Hurd intends to try to use his authority to assure Chinese leaders that Britain does not intend to cream off Hong Kong's riches before 1997.

He starts two days of talks with leaders today when he will have two meetings with Mr Qian Qichen, foreign minister, and one session with Mr Lu Ping, Peking's senior official directly responsible for Hong Kong. Tomorrow he will meet Mr Li Peng, prime minister, and Mr Jiang Zemin, Communist Party general secretary.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	16	61
Algiers	S	20	68
Amsterdam	S	11	52
Athens	C	14	57
Bahrain	S	25	77
Bangkok	F	36	97
Barcelona	S	16	61
Beirut	-	-	-
Belfast	F	9	48
Belgrade	S	15	59
Berlin	S	17	63
Biarritz	C	10	50
Bombay	F	31	88
Bordeaux	C	12	54
Boulogne	F	10	50
Brussels	F	9	48
Budapest	S	13	55
Buenos Aires	C	26	79
Cairo	S	26	79
Cape Town	S	26	79
Caracas	F	29	84
Casablanca	F	17	63
Chicago	S	3	37
Cologne	C	12	54
Copenhagen	F	12	54
Corfu	C	12	54
Dallas	C	18	64
Dublin	F	11	52
Dubrovnik	S	17	63
Edinburgh	F	9	48
Faro	C	14	57
Florence	S	18	64
Frankfurt	F	17	63
Geneva	S	17	63
Gibraltar	F	16	61
Glasgow	R	7	45
Helsinki	C	5	41
Hong Kong	F	18	64
Innsbruck	S	18	64
Inverness	F	9	48
Islamabad	C	22	72
Istanbul	C	8	46
Jakarta	R	32	90
Jersey	S	11	52
Johannesburg	S	24	75
Lima	F	26	79
Lisbon	C	14	57
London	F	12	54
Los Angeles	S	11	52
Luxembourg	R	8	46
Madeira	F	18	64
Madrid	F	13	55
Majorca	S	19	66
Malaga	F	20	68
Malta	C	15	59
Manchester	F	10	50
Manila	F	33	91
Melbourne	C	20	68
Mexico City	F	28	82
Miami	S	22	72
Milan	S	17	63
Montreal	S	-1	30
Moscow	C	8	46
Munich	C	18	64
Nairobi	T	21	70
Naples	F	15	59
Nassau	C	31	88
New Delhi	S	31	88
New York	S	4	39
Nice	F	15	59
Nicosia	F	18	64
Oporto	S	13	55
Oslo	F	9	48
Paris	F	13	55
Peking	F	16	61
Prague	F	17	63
Reykjavik	S	-5	23
Rhodes	F	15	59
Rio de Janeiro	F	30	86
Rome	F	17	63
Salzburg	S	19	66
San Francisco	S	8	46
Seoul	S	13	55
Singapore	F	32	90
Stockholm	C	12	54
Strasbourg	F	18	64
Sydney	S	22	72
Taipei	C	22	72
Tangier	C	16	61
Tel Aviv	F	21	70
Tenerife	F	11	52
Tokyo	S	14	57
Toronto	S	-2	28
Tunis	F	17	63
Valencia	C	21	70
Venice	F	15	59
Vienna	R	12	54
Warsaw	C	14	57
Washington	S	3	37
Zurich	F	15	59

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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INSIDE

Ashcroft accused of insider trading

Laidlaw, the Canadian waste management company, has alleged in a New York court that Michael Ashcroft, chairman of ADT (left), used inside information to sell a 5 per cent stake in BAA, the former British Airports Authority, announcing the move only hours before ADT told the markets that it had sold a similar stake. It is understood that the Stock Exchange in London was aware of the allegations in November, but the exchange says it never comments on whether an investigation has taken place. Page 21

Gold rush for the Soviets

Sales of gold by the Soviet Union, the world's second-largest gold producer, could rise by up to one-third and earn it another $1bn this year. This startling forecast, by two leading bullion analysts, also suggests, however, that economic chaos in the USSR will not result in vast quantities of gold bullion being sold in the West. Kenneth Gooding examines the pressure the Soviets are experiencing and the likely impact their sales will have on the international bullion market. Page 28

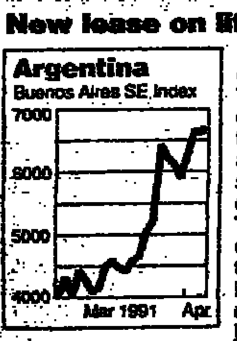
Wiggens Teape profits fall

Wiggins Teape Appleton, the paper group, yesterday reported its first set of annual results as an independent public company. WTA recorded a 9 per cent fall in taxable profits from £173.5m ($307m) to £158.2m in 1990 and sales were virtually unchanged at £1.51bn. Earnings per share fell slightly to 20.8p but the company announced a final dividend of 5.05p giving a total pay-out of 8.35p. Page 20

Growth in the market garden

Portuguese agriculture suffers from such chronic inefficiency that it is dependent on imports for more than half its food. Now, however, French entrepeneur Mr Thierry Roussel has set out to prove that Portuguese farmers can compete and prosper. His Plein Sud group is establishing what he claims will be Europe's leading market gardening producer. Patrick Blum examines the growing prospects for fresh produce in Portugal. Page 28

New lease on life



It was a day to remember in Buenos Aires. On Thursday March 21, crowds gathered outside the windows of brokerage houses anxiously scrutinising stock exchange monitors. Then it happened. Turnover hit a record $30.5m, the exchange's Merval index climbed 28 per cent, while the dollar-adjusted index gained 23 per cent, raising market capitalisation to $5.31bn. John Barham looks at the factors behind the rejuvenation of the Buenos Aires stock exchange. Back Page

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz AG	2920	+	70
BMW (Br)	568	+	22.5
Colonia Vrs Pf	670	+	30
Kaufhof	456	+	10.5
BHF Bank	420	+	15.5
Falls			
[illegible]	902	-	28.5

NEW YORK ($)

Rises			
ADT	15⅜	+	¾
[illegible]	39	+	2⅝
Dillard	106	+	5
[illegible]	2¾	+	¾
Price Co.	48¾	+	1
Falls			
Silicon Graphs	39	-	3½

New York prices as at 12.30pm.

LONDON (Pence)

Rises			
Air London	80	+	9
[illegible]	373	+	17
Anglo Utd	41½	+	4½
Ash & Lacy	127	+	8
BOC	584	+	18
Brit Telecom	359	+	10
[illegible]	228	+	12
[illegible]	215	+	10
[illegible]	418	+	17½
[illegible]	187	+	8
Friendly Htls	284	+	24
Hay (Norman)	33	+	3
Inchcape	344	+	25
Molynx	124	+	20
Rothmans B	884	+	24
Saatchi	18¼	+	2
Smith (D. S.)	381	+	19
WPP	166	+	12
Wessex Water	373	+	15
Wiggins Teape	233	+	16
Falls			
ADT	87	-	5
Business Tech	62	-	14

PARIS (FFr)

Rises			
BNP Cert Inv	302	+	11.8
CGIP	1152	+	32
Cap Gemini S	418.9	+	12.4
Prom C et Aux	2115	+	115
Imetal	330.9	+	12.9
Saint Gobain	453.1	+	12.8

TOKYO (Yen)

Rises			
Teisan	1070	+	104
Tokyo Tanabe	1070	+	105
Yamada	1750	+	220
Falls			
Dynic	1200	-	50
Jidosha Buhin	610	-	28
Shin-Kobe Rail	810	-	35

Buoyant Aegon raises dividend 23%

By Ronald van de Krol in Amsterdam

AEGON, the second largest Dutch insurance group, has reported a 14.1 per cent rise in 1990 operating profit and a 23 per cent increase in its dividend, reflecting strong performances in its two main markets, the Netherlands and the US.

Operating profit, a concept which Aegon has introduced for the first time as part of a major change in accounting principles, climbed to Fl 645m ($341m) from a restated Fl 566m in 1989. The dividend is to be raised to Fl 7.10 from Fl 5.75.

Net profit was barely changed at Fl 749m compared with Fl 741m, reflecting a 40 per cent decline in capital gains because of the weakness of financial markets last year.

Under the new accounting system, capital gains on shares and property transactions are included in the profit-and-loss account rather than being credited or charged directly to shareholders' equity, as in the past.

Net profit would have risen by 14.5 per cent to Fl 562m under the old system. Group revenue was up 5.5 per cent at Fl 12bn but would have risen by 13 per cent if it had not been for foreign exchange movements.

Aegon said it had a strong year in the Netherlands, where it saw a significant rise in earnings and an 8.9 per cent increase in premiums.

In the US, revenue and operating profit increased by nearly 16 per cent in dollar terms, but this gain was almost entirely offset by the decline in the dollar.

Aegon said other foreign subsidiaries made satisfactory progress in 1990 but their contributions to profits were more moderate. This was partly because of damage claims in Belgium and the UK after severe winter storms in early 1990 and partly because of investments needed in markets like Spain and Greece.

Aegon is the first Dutch insurer to adopt accounting principles which are roughly similar to the US Generally Accepted Accounting Principles (GAAP).

It made the move to make its figures more easily comparable with those of international insurers, particularly in the US and the UK.

Dutch insurers have long complained that their share prices are too low because existing accounting methods understate their true financial strength.

One of the main differences between the two methods is that the costs of acquiring life insurance contracts are amortised over the life of the contract, and not simply in the years when expenses are actually incurred.

The immediate effect of this is to boost profits and shareholders' equity. Aegon's equity stood at Fl 4.45bn in 1990 under the new system but would have been just Fl 3.05bn under the old.

Amev, the third-biggest insurer, will also adopt the GAAP method when its 1990 figures are published on April 25. Nationale-Nederlanden, the market leader which will release its figures on April 11, will retain its existing accounting principles for the 1990 accounts but may switch later.

Like their counterparts in the UK, Dutch insurers are debating whether to begin publishing indications of "embedded value", which represent shareholders' interest in future profit flows from an insurer's existing policy portfolio.

US groups prune debt with equity swap

More companies are turning to refinancing as a cure for 'leverage' disease, writes Nikki Tait

DONALD TRUMP does it. Henry Kravis does it. Continental Airlines would like to do it. If leveraging companies was Wall Street's game of the 1980s, swapping that debt for equity is the trend of the 1990s.

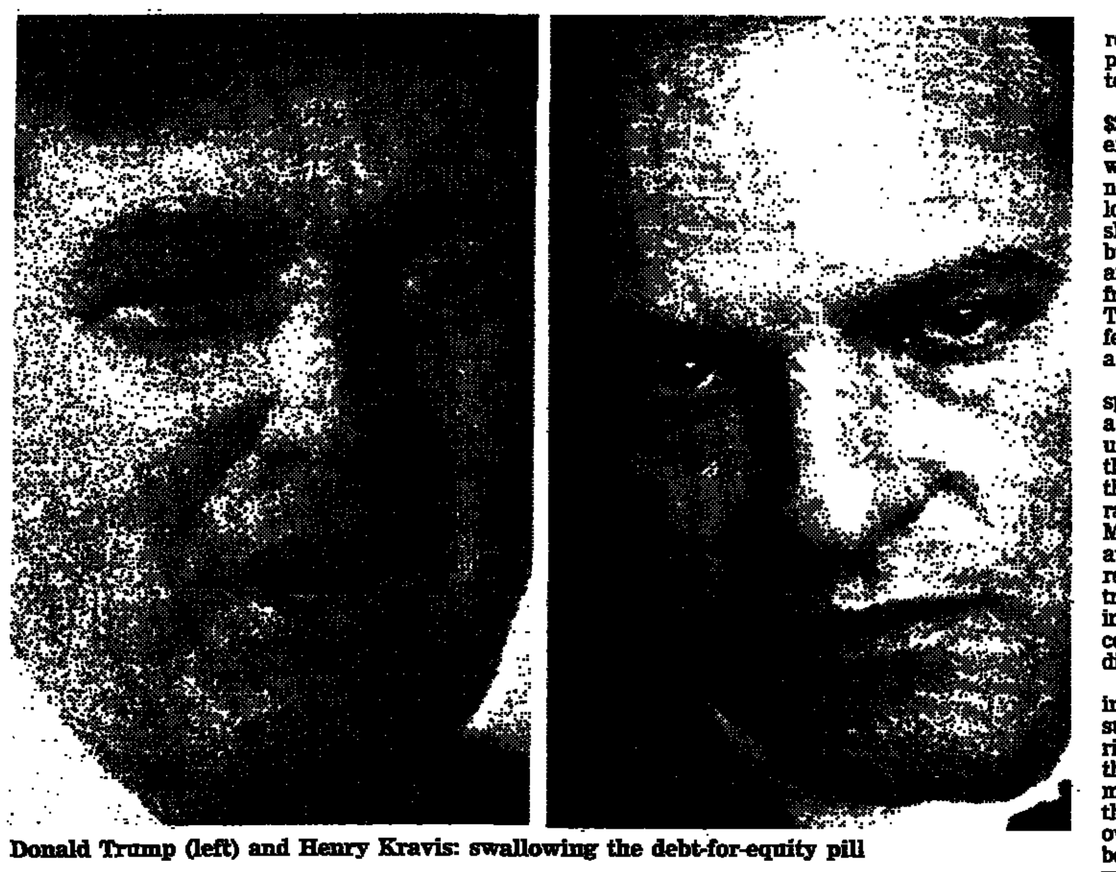
And it is growing. The refinancing of debt-burdened companies began to get under way in the US during late-1989 and 1990. The current year, however, has already seen an acceleration in the process – both in deal volume and in the ways such transactions are structured.

In the past few weeks, for example, RJR Nabisco and Duracell have announced plans to sell shares to new investors, stating that the proceeds would be used to pay down debt. Coincidentally, both the tobacco and consumer products giant and the batteries group were subject to leveraged buy-outs engineered by Kohlberg Kravis Roberts, in the 1980s. On Friday, their example was followed by USAir, which filed for a $200m convertible preferred stock offering, saying that the proceeds would be used to pay off a revolving credit agreement with a group of banks.

More imaginatively, Stone Container, the Illinois-based packaging company, said it would raise up to $400m by securitising its trade receivables. The proceeds would pay down cumbersome term loans.

McCaw Cellular, the largest US cellular phone company 20 per cent owned by British Telecom, has extended a deal whereby holders of its senior subordinated debentures can swap into common stock.

In large part, this "debt reduction" medicine is a simple cure to the "leverage" disease. On the leveraged buy-out front alone, $200bn-worth of deals were done between 1985 and 1989. More broadly, non-financial companies pushed up debt as a percentage of their total capital from 34 per cent to 49 per cent during the 1980s. Interest cover fell sharply.


Donald Trump (left) and Henry Kravis: swallowing the debt-for-equity pill

The extent to which this 1980s phenomenon is now being reversed is harder to calculate, given the variety of methods used. But if one simply considers exchange offers, 36 have been announced so far this year, according to Securities Data. Of these, 21 involved the replacement of "old debt" by cheaper funds (such as equity). That compares with 98 deals (73 involving "old debt") in 1990, and 55 (40) in 1989.

In part, "deleveraging" activity has been forced on companies and investors. The recessionary climate has spelt trouble for many heavily-indebted businesses: principal or interest repayments have been missed, and companies and creditors have been forced into negotiations.

Given the current clamp on bank lending, there are few buyers for distressed companies, so some form of debt-for-equity swap is often the only solution – witness Mr Trump's efforts to save his Taj Mahal casino. Of the 21 "old debt" exchange offers announced this year, Securities Data estimates a third were either deals by distressed companies or "pre-packaged bankruptcies" (where the bankruptcy procedure is used as a speedy way to pre-arrange agreement between a company and its creditors.)

This trend seems likely to continue. Standard & Poors, for example, has estimated that companies will default on about $15bn-$20bn of debt this year, compared with $14bn in 1990.

But what has been noticeable recently is the move by healthier products of the LBO movement to refinance their debts.

The jury is still out on the $25bn RJR Nabisco buy-out, for example – particularly over whether RJR's core tobacco business can be revitalised, and the long-term impact of the ownership change. But, that said, the buy-out has produced no unpleasant surprises to date, and saw free cash flow of $2.7bn last year. The fourth quarter after-tax loss fell to only $13m, compared with a $144m deficit in 1989.

In these cases, the buy-out sponsor, who has ended up with a sizeable portion of the equity, usually agrees to be diluted via the issue of new shares, so that the company can use the money raised to pay down borrowings. Mr Stephen Munger, a principal at Morgan Stanley's capital restructuring group, said: "It's a trade-off – a question of improving the long-term viability of the company against the degree of dilution that is acceptable."

Again, the reason for this increase in activity is scarcely subtle. The US stockmarket has risen more than 13 per cent since the beginning of the year, and many LBO sponsors seem to feel the ratings are attractive. Moreover, institutional liquidity has been building up and the market was starved of new issues in the latter half of 1990.

The dollar volume of "Initial Public Offerings" fell by a quarter in 1990 from the already-depressed 1989 levels, to $10.2bn. "I imagine everyone's looking through their portfolios at present," said Mr Mike Biondi at Wasserstein Perella, another Wall Street investment banking business running LBO funds.

It is not just the stockmarket which has recovered. The "junk market" has also surged this year. Mr Biondi said this had allowed a few groups to raise new funds at the subsidiary level, to pay off debt in the parent company. However, bankers are wary of predicting much business of this type. They say that the traditional buyers of "below investment grade bonds", like thrifts and insurance companies, are largely out of the market.

Booming stockmarket levels do not mean golden opportunities for every LBO. Much depends on the company's existing capital structure. When the equity base is narrow, the degree of dilution which may result if significant sums are raised could look unacceptable to the owners.

Equally, the chances of a successful exchange offer depend heavily on the extent to which liquidity exists in the relevant securities. Most bankers like to attract the arbitrage community during an exchange offer. The arbs buy bonds in the market at less than the effective price offered in the exchange, and short the stock. They make a turn, and the exchange mechanism is generally oiled.

The speed at which this "deleveraging" trend continues is a moot point. Barring a sudden rebound in the US economy, there seems little doubt that the flow of distressed exchange offers will continue.

Moreover, most bankers believe that, over time, there will be a fairly widespread replacement of debt by equity. But some stockmarket pundits suggest that the recent share price rally may run out of steam, implying that the current flow of "voluntary" deleveragings could stabilise.

That also has implications for the junk market. Mr King Penniman, an analyst at McCarthy, Crisanti & Maffei, said: "Credits have the scope to work back to investment grade. But that's driven by the economy, and bond prices have reached a level where it's hard work trying to find the performers again".

Vendex to sell stake in US stores group for $891m

By Ronald van de Krol in Amsterdam and Nikki Tait in New York

VENDEX International, a large Dutch family-owned retailing group, plans to raise $891m by selling its 25 per cent stake in Dillard Department Stores of the US.

Proceeds from the sale, equivalent to around Fl 1.6bn ($847m), will be used to reduce bank debts and cut interest costs at a time when Vendex is struggling to turn around Vroom & Dreesmann, its loss-making Dutch flagship department store.

Vendamerica, Vendex's US subsidiary, has decided to sell its almost 9m ordinary shares in Arkansas-based Dillard for $99 each.

Dillard Department Stores, which comprises 186 stores primarily in mid-western and south-western states, is targeted at middle to up-market customers. Clothing accounts for about three-quarters of the group's sales.

Despite the difficult US retail climate, the group recently reported a 23.4 per cent increase in after-tax profits for the year to February 2, with earnings per share up by almost 15 per cent. Sales last year totalled $3.6bn.

Dillard's apparent success in a deeply-troubled retail sector has meant that the group's shares attract a premium rating on Wall Street.

Dillard shares climbed a further $5¼ to $106¼ yesterday morning after the Dutch group's announcement.

Morgan Stanley, Goldman Sachs and Merrill Lynch are co-managers for the offering of the US stake.

In a filing last month with the US Securities and Exchange Commission, Vendex said it planned to sell up to 6.9m Dillard shares. However, heavy demand for the shares and the favourable US stock market climate prompted the company to divest its entire stake after consulting with Dillard's management.

Vendex is gradually pulling out of non-core businesses and concentrating on Europe.

In February, it sold six of its 23 loss-making Brazilian department stores and said it was seeking buyers for the rest.

The company has also made a series of divestments in the Netherlands over the past few years in areas such as training and travel agencies.

In the fiscal year 1989/90, Vendex had short-term bank debt of Fl 2.2bn and long-term debt of Fl 1.9bn. Its net profit dropped from Fl 172m to Fl 96m.

The company said yesterday that the expected reduction in interest charges brought about by the Dillard divestment is larger than the dividends which it would have received from the US company over the next few years.

"On balance, this will have a favourable effect on Vendex International's profit," the group said.

Alcatel Alsthom to absorb units

By George Graham in Paris

ALCATEL Alsthom, the French electrical engineering and telecommunications group, has unveiled a plan to overhaul its complex financial structure by absorbing three of its subsidiaries, adding an estimated FFr6.8bn to its stock market value.

The company also announced net profits of FFr5.1bn ($896m), up from FFr4.9bn in 1989. It represents a 29 per cent advance if the one-off effect of a change in accounting practice is excluded. Operating profits increased 15 per cent to FFr12.6bn on flat sales of FFr144bn.

Mr Pierre Suard, Alcatel Alsthom's chairman, said he proposed to offer the parent company's shares to minority investors in Générale Occidentale, the former holding company of Sir James Goldsmith, in Saft, an industrial battery producer, and in Locatel, a TV rental company.

The main operation concerns GO, in which Alcatel Alsthom already owns a 39.9 per cent consolidated interest. GO groups Alcatel Alsthom's holdings in the CEP and Groupe de la Cité publishing businesses, and a portfolio of shares and cash.

Alcatel Alsthom, which changed its name from Compagnie Générale d'Electricité at the start of the year, will offer four of its shares for every three of GO, valuing GO at FFr10.8bn.

The offers of nine Alcatel Alsthom shares for four Saft and one Alcatel Alsthom for three Locatel value these smaller companies at FFr790m and FFr126m respectively. The group owns 67.5 per cent of Saft and 70.8 per cent of Locatel.

The operation appears similar to the recent offer by Paribas, the investment banking group, for the minority interests in the Pollet and Ciments Français construction materials companies. It is an elegant form of rights issue, allowing Alcatel Alsthom to increase its capital base and get rid of some of the treasury shares held by its subsidiaries – shares which are to be outlawed by French legislation coming into effect later this year.

INTERNATIONAL COMPANIES AND FINANCE

Stephen Fidler reports on the four months that News Corp fought to win the international banks' backing for its make-or-break debt restructuring

Operation Dolphin rescues Murdoch

RUPERT Murdoch and his company had been courted by the international banks throughout the 1980s. When the courtship ended suddenly last year, he almost lost his company.

News Corporation had long raised a large share of its financing in short-term markets, where money was cheapest. When pushed to raise more long-term debt, Mr Murdoch resisted because he believed interest rates would fall. In the meantime, he reasoned, even if the short-term markets became difficult, the banks would always be be ready to lend.

They were not. For four nerve-racking months from last September, the future of News Corporation hung in the balance as its 146 bank lenders were parlayed, chivvied and strong-armed into a debt restructuring. It was the largest and geographically most diverse corporate restructuring sought of international banks.

By the end, more than half of News Corporation's US$7.6bn of bank finance was being "rolled over", a growing snowball of debt which repeatedly raised the spectre of default. The company's popular UK newspapers were temporarily in hock: secured against a temporary £150m (US$265.5m) credit line from half a dozen banks necessary to keep the company going. The company's shares had collapsed. As a measure of the uncertainty, its Swiss franc bonds were at one time yielding close to 50 per cent.

It is not entirely clear when Mr Murdoch realised the size of the problem facing him. He had built up his family's Australian newspaper company into a huge media group with newspaper, film, television and book publishing interests spanning four continents. By his own account, there were occasions when he was minutes away from losing it as banks refused to extend financings. "There were days in November when banks were refusing to roll. We were in some pretty tough conversations at five minutes to midnight. They were real heart stoppers," he said.

The backdrop for the restructuring was not auspicious. It was, according to Mr Murdoch, carried out in "the eye of the storm". With Iraq occupying Kuwait, the deadline for war approached and passed, and war began. Recession was taking hold in News Corporation's three main markets – the US, UK and Australia. Banks, led by the Japanese, were in retreat from the corporate lending business they had chased so aggressively in the 1980s. "We did this at the very bottom of the market," he said.

The first signs of the crisis came about year ago. Japanese banks started to withdraw from the short-term money market in Australia. The company had a programme of up to A$200m (US$155m) in this market, where it used to borrow overnight, seven or 30-day money. News Corporation had lost its first regular source of funds.

Difficulties were intensifying when the company attempted to refinance a short-term bank loan of US$750m it had raised in December 1989 to be repaid last June. The company tried to secure a three-year loan to refinance it but found it impossible to arrange. The company paid back US$250m and secured agreement from the banks to extend the US$500m for a further three months.

Over these three months, liquidity problems got worse. More banks were in retreat and other sources of financing dried up. Banks were unwilling to negotiate deals for the sale and leaseback of equipment – a staple source of News Corporation – except at, in Mr Murdoch's words, "outrageous rates". The financing outlook went from bad to worse.

The closure of numerous financing routes coincided with unexpectedly large losses on the company's Sky Television satellite television company, and enormous capital expenditure on new printing presses in the UK and Australia. "You could say it was bad luck but there was a degree of bad management," said Mr Murdoch, particularly in the degree of concentration of capital expenditure.

Some US$2.9bn of debt was to mature between September 1990 and the middle of this year, a position one banker described as "somewhat terminal". The company needed to roll over the US$500m again and wanted some new funds. The request did not go down well with the banks: a company, apparently unable to meet its debt repayments on time, like Oliver Twist, was asking for more. Whether or not the company fully recognised it at the time, the balance of power had shifted from the company, where it had resided through the 1980s, to the lending banks.

The company secured the roll-over with difficulty. But the message from the banks was that the arrangement was untenable for long. News Corporation needed to rearrange its debt and a business plan to back it up.

In early October, the company called in Citicorp and the operation code-named Dolphin began. Citicorp officials say the fact that the company had arranged more than half its financing through the London market led to the decision to look for a European partner. Samuel Montagu, a subsidiary of Midland Bank in the UK and the arranger of the US$750m short-term loan, joined the operation.

As a first step, the two banks had to analyse exactly the state of the company's finances. What faced them was a complicated corporate structure, created partly to minimise tax, and a plethora of lending facilities to a large number of different borrowing companies in different currencies. It was somewhat simplified by the fact that all the News Corporation companies were 100 per cent owned, with one important exception, Queens land Press, of which it owned 46 per cent.

News Corporation had borrowed with two things in mind: to reduce tax and to pay the lowest interest rates possible. There were 146 lending banks. "We had to answer the question 'where are we?' before we could figure out what to do," said Ms Ann Lane, in charge of the operation for Citibank.

The next step was in broad outline to put together a plan over what to do in time for a meeting of the banks at end-October. "We saw it as a liquidity problem, not a problem of creditworthiness," said Mr John Evangelides, who led the Montagu team.

The company was also aiming to present a five-year business plan to the banks at the meeting, which would be the first gathering of the nine Tier one banks. These banks, Citibank, Midland, Lloyds, Deutsche Bank, Crédit Lyonnais, Manufacturers Hanover, Security Pacific, Commonwealth Bank of Australia and Westpac. These were judged by the company to be its main relationship banks to the company in the main banking markets. The two Australian banks were to act as *de facto* co-ordinators in Australia and the Far East.

The third task was to ensure that the banks could be sure that the assets were worth more than the debt, together with the additional borrowings and working capital needs of the company. Wertheim Schroder in the US and Hambros in the UK were called in to evaluate the company.

Evaluating the borrowings turned up some surprises: what one banker described as "weirdo borrowing arrangements". Apart from bankers' acceptance facilities, bank acquisition finance, facilities in Hong Kong dollars and simple syndicated borrowings, there was an Islamic letter of credit facility and Australian "spin notes", a financing designed to create tax advantages in Australia.

Some banks had lent to stronger entities than others and had better security. Said Mr Evangelides: "Although many of the lenders thought that all the banks were in the same position when it came to recourse to the company's various businesses, they were not. Some were made to asset-owning companies with guarantees from the holding companies, and some to the holding companies with guarantees from asset-owning companies. It was not clear how the guarantees would work."

Citibank and Montagu decided that rearranging this could take years as banks jostled for position. They decided on the first fundamental principle which guided the restructuring: "We are where we are". This apparent tautology meant there would be no fundamental restructuring. Instead, they decided on what bankers call an override agreement. The original agreements between lenders and borrowers would stand, but a new agreement would replace certain clauses with others, for example, adjusting the maturity and interest rates.

Furthermore, it was clear that if one bank succeeded in withdrawing from the facility, other banks would want to get out too. "There was simply not enough cash to buy out all those that would want to withdraw," said Ms Lane. The second tenet was to make sure every lending bank was locked in for the length of the override agreement and that no bank should be allowed to withdraw.

The third principle was to formulate a deal in which no bank improved its position at another's expense. That meant repayments would be made *pro rata* to all banks (except for any new funds lent).

By the end-October meeting, News Corporation was on the verge of announcing the merger of its loss-making Sky Television with its competitor, British Satellite Broadcasting. "It was felt Murdoch had to solve the Sky problem. The Sky deal helped to close up a black hole for the company. It helped his credibility," said one banker at the meeting.

Even then, the company probably had little inkling of how difficult the restructuring would be. One reason was that it was being assured of support by banks' marketing managers, when decisions were being taken elsewhere in the bank. "There are dangers in believing what the marketing person in the bank is telling the treasurer," said one banker close to the talks. "When the decisions are made by the credit person, the banks' attitudes are very different."

The company had originally sought a seven-year loan from the banks, and then a five-year loan. It was forced by the banks to accept a three-year maturity. It was also clear that the nine Tier I banks had no wish to be the sole source of the US$600m of new money that would be needed to tide the company through 1991.

The network of new lenders would be expanded to almost 30: in early November, the Tier II banks were brought into the picture with a roadshow which moved from London to New York to Sydney. In the second half of November, the roadshow went from Sydney to London to New York and the remaining 120 Tier III banks were apprised of the plan.

The original agreement served as the basis for that finally agreed (see panel), although it was altered after that first meeting of Tier I banks and subsequently changed.

The Tier II banks pushed for and obtained more concessions from the company: the success fee equal to 1 per cent of the outstanding amount at the end of three years. Australian lenders to Queensland Press secured a pledge that Murdoch family interests would receive dividends in shares rather than cash. This was mainly symbolic: News Corporation had never paid out large cash dividends.

The agreement also changed the covenants on the loan agreements. Previously the only lending covenants restricted the company to borrowing 110 per cent of net assets as defined under Australian accounting principles, which are generous compared with US rules. As the company was revalued annually, its borrowing increased. The new agreement links borrowing limits to cash flow, "which is what this company is all about", according to one banker. Mr David DeVoe, chief financial officer and formally appointed on September 1 as one measure to tighten financial management, described the new covenants as standard for US media companies.

By the end of November, the deal was fairly close to its final shape. But the work was only just beginning.

Financings had been maturing throughout November and a spate fell due in December. Unanimous agreement had to be secured from lenders to roll them over and if this was not forthcoming, the company would have gone into default. This would have triggered cross-default clauses in other loan agreements, which would have meant all the financings would have been repayable on demand.

A US$235m financing matured on December 1, one for A$1bn on December 7, and a "spin note" facility on Christmas Eve. Another came due on January 4. "On December 1, December 7, December 24, and January 4, we had some problems with the roll-overs. Banks would tell you of their intention to get out of the facility: they would push you to the edge," said Citicorp's Ms Lane. In the end, no bank "was willing to play chicken to the point where they would pull the plug on the company," she said, "but that's not to say that at every point there wasn't someone willing to play chicken."

In most of the US transactions, including the one falling due in early December, a similar problem arose: big US banks, constrained by their lack of capital, often sell their exposure to smaller banks or other financial institutions. This can be done in several ways, but the most problematic appeared to be where the smaller banks were sold participations (in the UK jargon, sub-participations).

Here, the lender of record remains the large bank who passes through the interest payments to the participants. Agreement to the restructuring had to be secured from the participants, many of which protested that the lender of record had promised to buy them out. But once in, according to the principles decided at the start, even participants couldn't be allowed out.

"The big problem right up to the end was the question of whether our large banks could deliver their participants," said Mr Murdoch. These participants were small banks or insurance companies often making only a short-term investment and with little long term interest in the company.

Said Ms Lane: "Participants are always looking to get bought out by the banks that brought them in . . . Participation increases the risk of a deal. In many respects, the danger is that the company falls victim to our complicated market structures."

Small lenders of every description were a problem: some took an age to focus on the issue and others simply said no. According to Mr Murdoch, approval from an Indian bank to which the company owed US$1.5m was delayed "because the chairman had gone hunting."

On December 7, roll-over date for an A$1bn Australian financing, half to Queensland Press and half by the same lenders to News Corporation, the problem banks were Japanese and from the US. All banks were anyway having troubles with their other Australian exposure, and some US lenders had pulled out of the market altogether. Having closed its operation in Australia, one US bank professed not to care and to be willing to write off its exposure if necessary.

Japanese banks were also a source of frustration: their tendency to refer all important decisions to head office and the complexity of the transaction slowed down decisions. One Japanese bank was a lender through five offices: Sydney, Singapore, London, New York and Los Angeles.

There was also a culture difference: if the restructuring had taken place in Tokyo, the main house banks would have bought out the small lenders. Why, shouldn't that happen here, Japanese banks asked?

In retrospect, the co-ordinators agree that it was a mistake not to have taken the News Corporation roadshow to Tokyo. Because Japanese banks were only responsible for 20 per cent of the lending – a relatively low percentage – and much of that through the main foreign centres, it was not thought necessary to go to Tokyo. In the end, Citicorp and Montagu sent individuals to Japan to try to ensure the participation of Japanese banks.

It was during December that William Rhodes, senior international executive at Citicorp, was first called in in a bid to persuade recalcitrant banks first to roll over their debt, and later to sign the restructuring agreement.

The participation of Mr Rhodes, a veteran of numerous Latin American sovereign debt restructurings in the 1980s, was ironic: bankers likened the transaction to a Brazilian debt rescheduling. His experience of the third world debt crisis meant he was on first-name terms with many bank chairmen. In December, he telephoned a US bank and a Japanese bank to press them to agree to roll-overs but he was forced to step up his efforts significantly in January. Mr Murdoch impressed him at a dinner they had in early January: "He knew what he had to do."

Mr Rhodes said he was worried about the implications for the financial system if the restructuring failed. "There was the whole question of systemic risk if the deal fell through, and I wasn't the only one to take that view." Mr Rhodes said he talked to financial authorities in three countries about the deal and found one, which be wouldn't name, particularly concerned.

Montagu was keeping the Bank of England informed too, but there was not much that the Bank could do. Whereas in previous restructurings for UK companies, such as Laura Ashley which was completed last summer, the central bank played a central role in bringing opposing parties together, this deal was too global in nature to be significantly influenced by one central bank.

Before Christmas, the term sheet – the document which details the terms and conditions of the financing – was put out to banks. At that point, as Citicorp saw it, the deal faced two main obstacles: a handful of new money lenders were still resisting lending new money and the deal was in danger of losing momentum.

The latter point was to be a source of friction between Citicorp and Montagu: although co-operation between the two was for the most part good, there were cultural differences. Montagu saw Citicorp's style at times as overbearing and pushy: aggressive US behaviour would backfire in the staid boardrooms of European banks. They also saw a Citicorp deadline to get the deal done by the year-end as unrealistic, UK and European banks would take a long break over the holiday period come what may.

On the other hand, Citicorp was worried by the Japanese holiday early in the new year. If the deal could not be closed by the year end, it would drag on into January, and the battering that News Corporation was taking in the press and in the stock markets would continue. "We were disappointed that it dragged through Christmas," said Mr Murdoch. Citicorp saw Montagu's approach as too relaxed, but they were not able to get Montagu to work over Christmas.

When a restructuring occurs, issues unrelated to the company often intervene. As Ms Lane said: "Naturally some banks aren't predisposed to Citibank and some aren't predisposed to Samuel Montagu." There were some hangovers from previous deals: most notably the restructuring organised by Citicorp for the Trump Organisation of New York. Dresdner Bank believed Citicorp had tried to press-gang it into that restructuring and the tension that generated rolled forward into the News Corporation agreement.

Along with Swiss Bank Corporation, Dresdner was the last of the 27-bank group to agree to provide the new loans. It wasn't until January 16 that agreement from all 27 Tier I and Tier II lenders was secured for new funds. Lenders owed more than US$75m were expected to contribute new funds, but even this fairly simple cut-off caused problems. Foreign exchange fluctuations meant that, by its calculations, Swiss Bank's exposure had fallen below US$75m.

But this was not all: by this time, the company needed interim finance. In mid-December, six of the main lenders, including the two co-ordinators and the two Australian banks agreed to provide the company with a credit line of £150m. The security the banks obtained was the Sun and the News of the World, the company's UK tabloids. Clauses in the US loan agreements meant it was impossible to make the loan from the US.

The banks called it "the bridge to the bridge" because it would be paid back by the US$600m one-year bridge loan. Such was the uncertainty over whether the deal would be completed, bankers at Montagu were jokingly calling it the pier. In the event, the company only needed to draw a small amount because a couple of asset sales were completed by the company to provide cash. Mr DeVoe described it as a "back-stop". "We drew very little of that bridge."

The arrangers had a continuing problem with deadlines: the first was for December 14, the next for the year end. The problem was convincing banks that the deadline was indeed an important date, when at least two had passed without apparent effect. The ideal, bankers decided, would be for there to be a credible deadline, known among the banks, but which was not known to the outside world. This proved to be impossible. When a Midland spokesman indicated in mid-January that the banks were gunning for the end of the month, there was chagrin at Citibank.

This influenced Mr Rhodes, and when talk began of obtaining roll-overs from the end of January for a further month "I objected," he said. "Rupert was concerned over the negative impact such a delay would have on his company's business." Roll-overs were agreed but only for two weeks, and the pressure on the banks to sign was unrelenting. When the agreement of the last bank finally came through in the early hours New York time, of February 1, Mr Murdoch and his team sat up waiting for it.

The completion of the deal made Montagu and Citibank each about US$15m richer, not counting the substantial fees due to them as lenders. Mr Murdoch thinks he got value for money: each had 10 people working full-time on the deal and the participation of many others from the bank chairmen downwards.

The completion of the debt restructuring does not mean Mr Murdoch can rest. There have been questions about whether his company has been given enough time. But given the difficulties to secure agreement on the deal, the co-ordinating banks say they doubt that a restructuring that gave the company an easier ride would have been possible to sell to lenders.

Mr Murdoch sees one drawback as the fact that the company will have to start negotiations with banks for refinancing "pretty much in the second year". Going forward, he and Mr DeVoe speak of becoming less dependent on banks for finance and building up long-term debt. "As the markets improve," said Mr Murdoch, "we'll be looking to reducing our dependence on banks and taking in a degree of public debt."

They also aim to reduce the number of bank lenders. They would like to stop large banks selling participations except in meaningful amounts of, say, US$50m but "don't know whether we'll have the power to do it".

By next February, the company must repay US$800m to the banks, US$600m to redeem the bridge, and US$400m in three six-monthly instalments after that. When the agreement runs out in February 1994, US$5.6bn falls due.

He appeared to have no doubts about these payments being made, and planned to make them ahead of schedule. The company, he said, was making "herculean efforts" to improve profitability. "The underlying thing we're going to do is to get our earnings up by hook or by crook," he said.

He has announced his willingness to sell his US magazines, apart from TV Guide, and soon expects to announce "a significant asset sale in Australia."

The restructuring was "an experience we'll remember for the rest of our lives", Mr Murdoch said. Despite the heart-stopping, it had forced him "to stop and think a lot about the business". As a result, he says: "We'll come out of this recession a lot stronger for it."

If he's right, his bank lenders will have secured for themselves a good deal: they will receive an extra US$76m from extra interest alone in the first year.

In the long run though, the implications are less hopeful. Only a few years after the mistakes which led to the third world debt crisis, banks were again overlending to a large group of borrowers on which they subsequently pulled up the credit drawbridge.

No longer able to push loans into the third world, international banks had rushed into corporate lending. Perhaps the second time around, the consequences will prove less catastrophic: companies going to the wall rather than continents.

But the second time around, it is harder to dismiss the banks' mistakes as bad luck. At the root of their desperation to lend in the first place is a simple fact: there are too many banks chasing too little high-quality business. With their best borrowers going elsewhere for their money and depositors seeking higher returns, international banking is a declining industry with both profits and capital under severe pressure. News Corporation's problems are simply one manifestation of that.

The terms of the $7.6bn financing deal

- About US$7.6bn of debt restructured over three years, to be repaid by February 1994. Interest margin increased by 1 percentage point on existing facilities and flat 1 per cent "up-front" fee.
- One year credit of US$600m at interest margin over money market rates at average 2¼ percentage points.
- Success fee of 1 per cent on outstanding amount after three years, a maximum of about US$5.5bn.
- The company committed to reduce its total outstanding debt, including public debt obligations by US$800m after 12 months and a further US$400m in three six-monthly instalments.
- Dividend cannot exceed A$0.10 a year while agreement in effect. Murdoch family interests agree to take shares instead of cash dividends.

Nissan Motor takes over control of French dealer

By Kevin Done in London and William Dawkins in Paris

NISSAN Motor, Japan's second largest car maker, is expanding control of its European vehicle distribution network with the takeover of Richard Nissan, its French importer/distributor, in a deal valuing the company at FFr861.3m ($152.1m).

Nissan Motor is also seeking to take over the Nissan vehicle distribution operations in the UK, where it is embroiled in a legal battle with Nissan UK, its privately-owned distributor.

The company, the leading Japanese make in the European car market, already holds a 9.55 per cent stake in Richard Nissan.

It has reached agreement with the Richard family to acquire the 72.09 per cent stake at a price of FFr1,253 per share valuing the holding at FFr629.9m.

The share price has risen steeply in recent days on speculation that a bid was in the offing, and the shares were suspended on Tuesday at FFr1,530, a high for the year.

Nissan said the deal was expected to be completed before the end of the year. It will make the same offer to outstanding minority shareholders.

The takeover is subject to Nissan gaining French government approval and the bid comes at a sensitive moment with France still taking the hardest line of any EC member state against Japanese car imports.

Takeovers of French companies by non-European Community businesses must be vetted by the French Government, one of the few foreign investment controls left in France.

Mr Roger Fauroux, industry minister, said the government was "reflecting" on the plan, but gave no clue as to the likely outcome. France has previously sought unsuccessfully to limit the free circulation of UK-built Nissan cars.

It limits Japanese car imports to around 3 per cent of the market and only allows five Japanese car makers, Nissan, Mazda, Toyota, Honda and Mitsubishi, to market vehicles in France.

Improved margins boost Tesco by 27.7%

By Maggie Urry in London

TESCO, the UK food retail group, just beat its profit forecast made with its £572m rights issue in January, reporting pre-tax profits excluding property gains of £417.1m ($738m) against £326.6m, a rise of 27.7 per cent.

The prediction was for profits of not less than £416m for the year to February 23. The shares rose 3p to 273p.

Sir Ian MacLaurin, chairman, said the group was suffering few adverse effects from the recession, although sales growth slowed slightly in the second half of the year. Tesco's share of the grocery market had risen to 9.2 from 8.7 per cent, he said.

He foresaw another successful year, although admitting that falling food price inflation with rising costs presented challenges.

The profit increase came on a turnover rise of 17.5 per cent to £6.35bn excluding value added tax, and reflected a rise in net profit margin to 6.6 per cent from 6 per cent. The margin was 4.6 per cent in 1985-86.

The increase is due to the higher margins Tesco extracts from its large, modern, "conforming" stores, the use of electronic point-of-sale (Epos) scanning and its central distribution.

Mr David Malpas, managing director, said that he could foresee further margin improvement with the help of developments which might be "just as exciting and important as Epos".

Following the rights issue, the year-end balance sheet had net cash of £177m against net debt of £317m.

Property profits were £19.1m, against £35m previously, and interest receivable was £19.1m against £9.8m after £63.2m, compared with £45.3m was capitalised. Profit sharing took £22m against £17.2m.

Fully diluted earnings per share, excluding property profits, rose 24.3 per cent to 16.6p. The final dividend is 3.6p (2.8p) as promised, to give a total of 5.25p (4.17p adjusted for the rights).

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Sun Alliance lifts payout despite fall

By Richard Lapper in London

BUOYED BY the strength of its balance sheet, Sun Alliance, the largest of the UK composite insurers, yesterday said it was able to absorb 1990 pre-tax losses of £180.9m ($326m) and increase its dividend by 12 per cent.

Attributing the losses to rate competition combined with heavy weather and recession-related claims, Mr Roger Neville, chief executive, described the result as "manifestly unacceptable".

Yet, despite a 30 per cent fall in the value of shareholders' funds during 1990, Sun Alliance's solvency margin (net worth as a percentage of premiums) is significantly higher than those of main competitors. Three of Sun Alliance's large competitors – Guardian Royal Exchange, Royal Insurance and General Accident – posted a 40 per cent-plus fall in the value of their shareholders' funds in 1990.

Underwriting losses amounted to £550.8m, with losses from UK business plunging to £461.3m against £1.2m and accounting for more than two-thirds of the total. Profits from the group's life business amounted to £47.7m against £40.5m. Investment and other income contributed £322.2m to earnings compared with £341.8m.

Underwriting losses in the last quarter of the year in the UK were particularly heavy. Sun Alliance has paid claims on a large number of commercial fires and also made a provision for several million pounds against professional indemnity claims, which have arisen from alleged errors and omissions on the part of property surveyors.

Sun Alliance financed the whole of its losses and the £111m needed to pay its dividend by drawing from shareholders' funds, which slumped by nearly a third to £2,034m at the end of 1990 compared with £2,937m at the end of 1989.

The value of equity and fixed-interest investments fell by £250m during 1990, while property values declined by £100m. The strength of sterling also reduced the value of foreign currency assets by £200m.

The company is sanguine about the decline, however. Since the beginning of the year the upturn in the equity markets and revival of the dollar has led to some recovery, improving the group's solvency margin from 81 per cent at the end of 1990 to an estimated current level of 90 per cent.

The company is also confident that rate increases – even in the highly competitive industrial risks sector – can be secured this year. House structure rates and motor rates have been increased by 10 per cent and 9 per cent respectively and the company believes there are hopeful signs of stability returning to the marine and aviation markets.

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Compaq to buy into 3D graphics

By Louise Kehoe in San Francisco

COMPAQ Computer, a leading personal computer manufacturer, is to acquire a stake in Silicon Graphics, the California-based maker of computer workstations with three-dimensional graphics. The companies have also agreed to co-operate in product development.

The alliance is a precursor to the formation of a powerful computer industry group that is expected to announce plans next week to develop a new generation of advanced desktop computer technology. Compaq will acquire a 13 per cent equity stake in Silicon Graphics for $135m. In addition, Compaq will provide Silicon Graphics with $50m to fund R & D.

Compaq and Silicon Graphics are expected to join forces with MIPs Computer Systems, Digital Equipment, Microsoft and the Santa Cruz Operation to develop a new standard for desktop computers that will blend technologies from technical computer workstations with the ease of use features of personal computers.

In addition to its alliance with Compaq, Silicon Graphics announced an agreement with Microsoft, providing the personal computer software giant with access to Silicon Graphics' graphics technology.

"The leading graphics capability we provide today could very well become an important graphics standard on the desktop computer of the 1990s. The potential impact on individual users could be significant," said Mr Edward R. McCracken, president and chief executive of Silicon Graphics.

Mr Rod Canion, president and chief executive officer of Compaq, said: "Compaq and Silicon Graphics are creating a long-term strategic relationship. The combination of Silicon Graphics' dominance in advanced technologies such as computer graphics and our industry leadership in the business computer market will have a major impact on the computer industry."

Acec-UM sees profits tumble to BFr3.4bn

By Andrew Hill in Brussels

ACEC-UNION Minière, the Belgian non-ferrous metals group, yesterday underlined the volatility of its sector last year when it announced that pre-tax profits in 1990 had fallen to BFr3.4bn ($98m), compared with BFr11.9bn in 1989.

Acec-UM, 82 per cent of which is owned by Société Générale de Belgique, said the uncertain market conditions made it impossible to predict what would happen in 1991 as a whole but warned that the dollar exchange rate and the continued downward trend in metal prices had led to a small operating loss in the first quarter of the year.

The group, formed in 1989 from a merger between Union Minière and the ailing Acec group, blamed the weak dollar and the 10 per cent drop in the price of zinc for the collapse in its profits last year.

Those factors alone accounted for about two-thirds of the decline, said the company, which was also forced to revalue its stocks downwards by about BFr800m.

After extraordinary gains of BFr1bn against BFr7.1bn and tax charges, net profits stood at BFr3.82bn compared with BFr19.9bn. The company said it would pay a gross dividend of BFr120 per share for 1990 against BFr168 for the previous 12 months.

Pembridge halts DRG break-up

By Andrew Bolger in London

PEMBRIDGE Investments, a highly-leveraged Bermudan investment vehicle, has halted its break-up of DRG, the UK paper and packaging group.

DRG, which included brand names such as Sellotape and Basildon Bond stationery, was bought for £697m ($1.2bn) in cash in 1989 after a bitterly-contested takeover battle.

Pembridge is headed by Roland Franklin, a long-standing associate of Sir James Goldsmith, the Anglo-French entrepreneur. Mr Franklin said he intended to unlock DRG's unrealised value by disposing of peripheral activities.

However, Mr Franklin's son, Martin, said yesterday: "In response to the general economic climate and the effects of the Gulf war, Pembridge Investments has decided to withdraw all its assets from the market for the time being. In the light of this strategy, Pembridge has effected a refinancing that will enable the group to retain and develop its business for growth and enhancement of capital value."

Pembridge has sold 15 DRG businesses, including the Basildon Bond stationery group, for £340m. It retains the Sellotape business, renamed Adhesive Technology, medical packaging, cartons and rigid plastic manufacturing. Mr Martin Franklin said although Pembridge had withdrawn the remaining DRG businesses, it would not turn down an "irresistible" offer. However, Pembridge viewed itself as a long-term holder of these businesses and would continue to invest in them.

Mr Franklin would not give details of the refinancing package but said it removed pressure from Pembridge to sell until the market improved. No new lenders had come into the original £655m loan consortium, but Citibank, the lead banker, had reduced its exposure.

CMB reports 14% fall to FFr1bn

By George Graham

CMB Packaging, the Franco-British cans and plastic bottles group formed two years ago by Carnaud and Metal Box, has reported a 14 per cent drop in net profits last year to FFr1.0bn ($175m).

The fall is in line with the warning issued in December by Mr Jean-Marie Descarpentries, CMB's chairman, with heavier than expected restructuring and financial costs offsetting a rise in operating earnings.

The group expects the reorganisation and investments it had carried out over the past two years will lead to a noticeable increase in ordinary profits in 1991, and that it had therefore decided to maintain its dividend at FFr3.60 a share.

CMB said it had made a FFr364m charge for exceptional restructuring costs, but the cash impact of these costs, including the utilisation of provisions made the previous year, was FFr620m.

However, last year's accounts also included an exceptional profit of FFr460m on the sale of CMB Acier, the group's steel production unit.

Net financial expenses rose by 12 per cent to FFr726m, but the group said it had since improved its financial position through the issue of FFr1.3bn of perpetual subordinated debt in January, as well as £200m of preference shares issued by a UK subsidiary last November.

After these operations, the group's total financial debt was nearly halved to FFr2.8bn, representing 19 per cent of its equity and quasi-equity.

Operating profits in the main packaging sector rose by 11 per cent to FFr2.2bn.

Norwegians plan oil expansion

By Karen Fossli in Oslo and William Dullforce in Geneva

TWO NORWEGIAN oil and gas engineering and equipment supply companies are making acquisitions which will allow them to break out of the North Sea offshore oil and gas market.

Kvaerner group is expected today to announce the acquisition of Singapore-based R. J. Brown and Associates, the pipeline engineering, terminal and sub-sea production equipment group.

R. J. Brown and Associates has an annual turnover of about $80m and a staff of 165. The company also has offices in Houston although it has engineered oil and gas pipeline projects throughout the world.

In another deal announced yesterday, ABB Asea Brown Boveri, the European electrical and engineering group, plans to acquire full control of Vetco Gray, a US manufacturer of production equipment for the oil and gas industry, based in Houston, Texas.

ABB is to increase its stake from 19 per cent of the voting stock to 100 per cent by buying the controlling interest in Vetco Gray acquired by Bain Capital, a private investment company, in June 1988. The purchase is subject to approval by US regulatory authorities.

A price was not disclosed, but a US source said ABB was paying substantially less than the $79m it received from the sale of the Dry Branch plant of Georgia Kaolin.

UK COMPANY NEWS

Wiggins Teape falls 9% to £158m in hectic year

By John Thornhill

WIGGINS TEAPE Appleton, the paper group, yesterday reported its first set of annual results as an independent public company after a hectic year which saw it demerge from BAT Industries and later merge with Arjomari-Prioux, the leading French paper maker.

Against a backdrop of tough trading conditions which have left many rival North American and Scandinavian paper companies struggling, WTA recorded a 9 per cent fall in taxable profits from £173.5m to £158.2m in 1990. Sales were virtually static at £1.51bn.

Earnings per share slid to 20.8p (21.9p), but the company announced a final dividend of 5.05p giving a total pay-out of 8.35p, as forecast when the company was floated last June.

WTA said depressed pulp prices and cost pressures on paper products affected its profitability on both sides of the Atlantic, with poor results from the forestry, pulp and commodity paper sectors.

Appleton Papers, WTA's North American arm, introduced a range of higher value-added papers during the year – including a recycled carbonless paper – and increased its production capacity by 35,000 tonnes.

Cob Stenham: the merger is beginning to work

North American operating profits rose in dollar terms, but fell to £91m (£98.1m) after an adverse currency factor of £7.6m was taken into account.

WTA's paper manufacturing activities produced the vast bulk of operating profits and their contribution rose from £136.1m to £142.6m. Paper merchanting profits increased from £12.6m to £13.5m.

But these gains were dragged back by a sharp deterioration in WTA's forestry and pulp businesses and by a drastic fall in the contribution from the Portuguese Soporcel mill. Together these businesses saw profits drop from £46.8m to £13.3m.

Although its attempts to sell the Soporcel stake to Stora, the Swedish paper company, were blocked by the Portuguese government, WTA was still confident that it could dispose of the holding.

WTA's merger with Arjomari was only concluded on December 24 and the French company's figures were not included in this set of results.

But WTA provided a pro-forma profit and loss account for the combined company showing pre-tax profits rising slightly from £259.6m to £262.6m on sales of £2.6bn (£2.42bn). Earnings per share would have worked out at 21.5p (21.3p).

Mr Cob Stenham, chairman, said: "The merger is beginning to work and we are ahead of schedule in implementing the plans needed to achieve the synergies and other benfits that the whole merger was predicated on.

"Although trading conditions remain difficult we remain decidedly confident," he added.

See Lex

Redoute says £49m for Empire is generous

By Maggie Urry

REDOUTE CATALOGUE, the French mail order group, said yesterday that its £49m bid for Empire Stores of the UK, was "generous" compared with the price paid last month by Otto Versand, the German group, for Grattan, a larger competitor to Empire.

The offer is part of the shake-up taking place in the mail order industry which has included Otto's £165m final offer for Grattan last month and the expected sale of the Littlewoods mail order business. Redoute Catalogue is part of La Redoute, in turn 54 per cent owned by Au Printemps, the French retail group.

The assertion came in Redoute's offer document published yesterday. Redoute said Empire shareholders were being offered a higher multiple of assets than Next, the high street retailer, received for Grattan, after adjusting for the level of debt in each company.

The document also said that the offer for Empire was at "a higher multiple of operating profit and broadly the same multiple of turnover, despite Empire having a weaker market position than Grattan".

Otherwise the document was a low-key one, repeating much that Redoute had said when it launched its 125p cash per share offer.

The bid was triggered last month when Redoute bought a 12 per cent stake in Empire, taking its holding to 37.8 per cent. Observers said that they had not expected the offer document to start a "slanging match" since Redoute had been a shareholder in Empire since 1988, had seats on the Empire board and had been working cordially with the Empire management for some time.

However, there have also been suggestions that the bid is not being pursued vigorously. Redoute has ruled out any increase in its offer and the Empire share price has stubbornly remained a few pence above the offer price since Empire rejected the bid. Yesterday Empire's shares were unchanged at 131p.

Wilson (Connolly) slides 42% to £31m

By David Owen

POORER PROPERTY results and a sizeable provision against both residential land holdings and property development have eaten into annual profits at Wilson (Connolly) Holdings, the Northampton-based housebuilder.

Pre-tax profits for the year to December 31 slipped 43 per cent from £54.24m to £31.07m. The result breaks a 16-year sequence of uninterrupted profit growth at the company.

"We are not immune to the economic fortunes of the country and have found it necessary to cut costs whilst strengthening the fabric of the company for future growth," the group said.

The shares edged up by 2p to 199p.

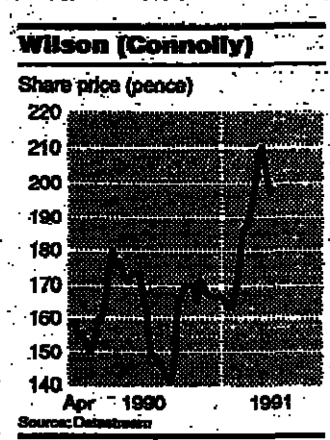
The £12m exceptional provision was made up of £6.9m against the group's residential land holdings and £5.1m against its property development programme.

"We do not capitalise interest so we are not facing some of the horror stories that could exist, and we have said in addition that a little bit here and a little bit there needs to come off," said Mr Ian Black, managing director.

During the year, the group cut its debt – including off-balance-sheet finance – to £26.5m, compared with shareholders' funds of £180m. The interest bill weighed in at £4.1m, against £6.4m in 1989.

By division, housing generated the lion's share of profit before exceptional items, contributing £33.08m on turnover of £144.77m, against £35.51m on turnover of £125.78m a year earlier.

Profits from construction doubled to £4.43m (£2.03m), while those from property slid to £5.56m (£16.7m). Overall, turnover advanced to £195.81m (£192.64m).



The Wilcon Homes unit sold 2,350 homes during the year – its second-highest total ever – with the average selling price dropping to £59,500 from £64,500.

Excluding land sales and provisions, housing profits came to £31.7m (£31.5m), giving a net profit margin of 23 per cent. The group is looking to add to its land bank, which currently has a book value of £148m, having consumed 1,800 more plots than it bought during 1990.

Wilcon Construction achieved record profits on static turnover, in spite of pressure on margins as a result of the deteriorating property sector. Enquiries will have to be turned into firm orders if the unit is to sustain progress, the company said.

Wilson Connolly Properties found the going "tough". Profits were taken on the sale of office buildings in Hampshire, the last phase of a distribution park at Brackmills and two industrial units in Northampton.

Earnings per share tumbled to 11.3p (19.6p). A final dividend of 2.53p (2.3p) is recommended, making a total of 3.74p (3.45p).

Worcester Group falls 29% to £3.5m as interest charges bite

By David Owen

SHARPLY HIGHER interest costs, difficult trading conditions in the final quarter and the move to a new factory contributed to a 29 per cent decline in annual profits at Worcester Group, the maker of domestic heating equipment.

Pre-tax profits for 1990 fell from £5.03m to £3.55m on turnover ahead 10 per cent to £43.98m (£39.85m).

Mr Cecil Duckworth, chairman and chief executive, characterised the year as one of "high activity" in which Worcester had moved factory, launched a high-output "Combi" boiler and made its first European acquisition with Radson – a Belgian boilermaker – for £2.76m.

"We were reasonably well satisfied, although we were disappointed with the drop-off in sales in the final quarter," Mr Duckworth said. The shares were unchanged at 136p.

The interest bill jumped to £671,000 (£76,000), while year-end debt stood at £9m, giving gearing of 58 per cent.

The factory move showed up as a £203,000 exceptional charge. There was also an extraordinary charge of £549,000, relating to the sale to management of the group's packaging subsidiary – which reduced debt by £938,000.

The group suffered a 14 per cent increase in the cost of sales and a 29 per cent rise in administrative expenses. Mr Duckworth attributed this to the product launch, which "cost us more than anticipated."

The company said it was encouraged by sales of its Combi boilers, where it is UK market leader. Metal Constructions had an "excellent" year in spite of a substantial bad debt.

Grate Glow Fires, the maker of fuel-effect fires bought last April for £2.6m, contributed profits of about £450,000.

Earnings per share declined to 9.4p (14.2p). The final dividend of 2.68p makes a total of 4.01p (3.82p).

Pension boost for Ash & Lacy

By Michiyo Nakamoto

ASH & LACY, the West Midlands-based galvanising and steel products group, increased pre-tax profits for the year to December 28 to £5.05m from a previous £4.92m.

The rise came in spite of lower turnover of £56.34m (£61.5m), due to the disposal of its building products division in July 1989.

Operating profit fell to £4.89m (£5.18m). The results were helped by a pension credit of £114,000 (charge of £130,000). Rent income rose to £164,000 (£141,000).

Mr Howard Marshall, group managing director, said that the rise in profits reflected both the "pension freebie" of over £200,000 and a "useful contribution" from two acquisitions in the fourth quarter.

These were Societe Nantaise de Galvanisation, a steel galvanising company, and Eden Material Services, a distributor of stainless steel hollow bar and special tube, which were acquired for a total of £4m.

Last year the non-ferrous metals stockholding and distribution division suffered a sharp decline in margins from about 20 per cent to between 3 and 4 per cent due to the fall in copper prices. However, it did manage to stay in profit.

The downturn in that division was offset by a significant increase in steel galvanising. The contribution from its perforated metal activity was level.

Earnings per share rose to 13.53p (13.29p). The final dividend is maintained at 3.9p for an unchanged total of 6.4p.

With its strong balance sheet – net debt is £1m and gearing 5 per cent – the group said it was well placed to take advantage of opportunities for expansion. However, while margins are holding up, sales were down and the outlook was too uncertain to make any forecasts for the year, Mr Marshall said.

Wiltshire unveils loss and £1.44m rights

By Philip Rawstorne

The Wiltshire Brewery yesterday announced a £1.44m rights issue to fund pub acquisitions and also reported a pre-tax loss of £393,000 for the year to September 30.

Mr Graham Axford, chairman of the USM-quoted brewer and pub retailer, said the 4-for-5 rights issue at 32p per share – fully underwritten by Guidehouse Securities – would enable the company to take maximum advantage of opportunities to buy pubs.

Wiltshire is buying 12 pubs from Bass for £2.1m, funded in part by a £1.8m fixed interest loan from Bass; and acquiring the Bunker Beverage Company, which owns two pubs, for £100,000 through the issue of 232,000 new shares.

The properties, which bring the Wiltshire estate to 40 pubs, are expected to make an immediate profits contribution.

Wiltshire, whose beer sales suffered during peak months last year because it did not have a head brewer, saw operating profit fall to £66,000 (£257,000). Turnover, however, was 67 per cent up at £1.25m.

Exceptional items included £214,000 of bad debts and compensation, and investment write-offs of £88,000. Interest charges rose to £181,000.

Boxmore Intl shows advance to £2.7m

Despite increasing pressures in its area of the packaging industry, Boxmore International raised taxable profit by 18 per cent, from £2.31m to £2.74m, in 1990.

Turnover at the USM-quoted company rose 14 per cent to £18.52m (£16.2m). Operating profit came to £1.96m (£1.64m).

A final dividend of 4.4p is recommended, lifting the total to 6.4p (5.55p). Earnings per share worked through at 20.2p, up from 16.4p last time.

Merlin bid terms disputed

By Sue Stuart in Douglas and Stewart Fleming in London

THE SUCCESS of the £2.9m bid for the failing Merlin International Properties was in doubt yesterday following disagreement over the terms.

As it is currently conceived the offer would permit Bonaventure, the Swiss company providing the finance for Luirc, the bidder, to withdraw if Merlin's finances suffer a material change. Under Takeover Panel rules, however, it is Luirc as the offeror which must establish and abide by the conditions of the bid.

The Panel insists that an offeror's advisers must confirm that funds are available to pay shareholders if the offer proceeds. The Panel believes Luirc cannot give that undertaking if the financing arrangement is also conditional.

Mr Geoffrey Pearson, a director of Fininvest Corporate Finance, Luirc's advisers, angrily accused the Panel yesterday of threatening completion of the bid.

Mr Peter Borgas, the Australian who is the sole shareholder in Bonaventure, said he had not been in direct contact with Mr Kurt Zingre, the Swiss banker who owns Luirc. He maintained Fininvest was "driving the deal" and would not say how he had become involved.

Mansfield buys 29 Courage pubs

By Philip Rawstorne

Mansfield Brewery has agreed to buy 29 pubs from Courage, Fosters' Brewing UK subsidiary, for £12.6m. The east Midlands-based brewer currently leases the pubs from Courage.

The deal will increase Mansfield's total estate to 340 pubs and extend it into areas of Yorkshire.

Mr Ron Kirk, managing director, said that the pubs had been selling Courage beer but, apart from Fosters' lager, would now sell Mansfield's own products.

After start-up costs, the effect of the acquisition on earnings is expected to be neutral in the 1992 year.

Lovell sells Marlow estate for £15.6m

YJ Lovell (Holdings) has sold its Thames Industrial Estate at Marlow, Bucks, for £15.59m cash. The buyer is TSB Group Pension Trust.

The property was held in three separate elements. One, sold for an initial £6.84m, comprises two recently built unlet office buildings. Additional consideration depends on future rental levels.

The second and third elements were sold for £8.75m, against their September 1990 book value of £7.35m.

Southern Radio down to £1.8m

Southern Radio, the independent radio operator in the Brighton, Eastbourne and Hastings areas, saw pre-tax profits fall from £2.01m to £1.8m in the year to September 30 1990, after being affected by a full year's cost of new services.

Advertising revenue rose by 8 per cent despite the difficult trading conditions, and turnover reached £7.35m (£6.77m).

Earnings per share were 3.5p (4.88p) and the dividend is 1p (1.25p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Air London § ....int	1.4	May 22	1.1	-	2.5
Ash & Lacy ....fin	3.9	June 1	3.9	6.4	6.4
Boxmore Intl § ....fin	4.4	May 21	3.85	5.55	6.4
Burford ....fin	0.45	May 8	0.35	0.85	0.65
Caparo Inds ....fin	2.3	June 21	1.8	3.8	3.1‡
Friendly Hotels ....fin	3	-	2	5†	3.35
Hay (Norman) ....fin	0.64	July 2	1.5	1.14	2.26
Lec Refrigeratn ....fin	10.5	May 17	10.5	14.5	14.5
Magnolia ....fin	3.65	-	3.65	5.4	5.4
Molynx ....fin	2.5	July 3	2.25	3.75†	3.2
Southern Radio ....fin	1	-	1.25*	1	1.25*
Sun Alliance ....fin	9	July 1	8	14	12.5
Tesco ....fin	3.6†☆	July 1	2.89	5.3	4.3
Wiggins Teape ....fin	5.05	June 13	-	8.35	-
Wilson Connolly ....fin	2.53	-	2.3	3.74	3.45
Worcester Group ....fin	2.68	May 14	2.57	4.01†	3.82

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡Excludes special dividend of 0.5p.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Sears offers $750m of credit card-backed paper

By Tracy Corrigan

EUROPEAN demand for asset-backed securities was tested by Sears' $750m offering of credit card-backed bonds, the first this year. The deal was priced yesterday to yield 107 basis points above the comparable US Treasury issue.

Although secondary market spreads of asset-backed securities have tightened by 50 basis points during the last month or so, from historically wide levels of more than 150 basis points at the start of the year, dealers were not sure that confidence would have returned sufficiently for such a large issue to be absorbed.

However, Credit Suisse First Boston, the lead manager, estimated that more than 75 per cent of the issue was sold by the end of the day. CSFB reported firm demand from Swiss retail investors and from UK-based institutions.

INTERNATIONAL BONDS

A C$500m seven-year issue for the Province of Ontario added to indigestion in the Canadian dollar sector, where a significant portion of Tuesday's C$350m of supply is yet to be placed, dealers said.

However, the Ontario deal attracted institutional as well as retail interest, and so fared better than Tuesday's largely retail targeted transactions, according to underwriters.

The Ontario offering was priced to yield 57 basis points above the 9½ per cent Canadian government bond due 1998, compared with a 49 basis point spread over the 9¾ per cent government bond due 1997 for General Electric Canada's seven-year issue on Tuesday.

Finnish Export Credit launched a $250m three-year offering via Paribas Capital Markets which met mainly retail demand.

In the equity warrants sector, three Japanese borrowers launched $380m of bonds.

A $100m four-year issue for Intec, launched by Nikko, was the strongest performer, bid at an eight point premium to its par issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Finnish Exoprt Credit(a)†	250	7¾%	101¼%	1994	1.275	Paribas Capital Mkts.
Asahi Denka Kogyo(b)♦	100	4%	100.0%	1995	2¼/1½	Yamaichi Int.
Intec Inc.(c)♦	100	4%	100.0%	1995	2¼/1½	Nikko Secs.
Tadano Ltd.(d)♦	180	4%	100.0%	1995	2¼/1½	Kankaku Europe
Sears(EARST) 1991(e)†	750	8¼%	100.70%	1998	1⅞/1.7	CSFB
STERLING						
British Aerospace(a)†	150	11⅞%	99.587%	2008	⅝	Barclays de Zoete Wedd
CANADIAN DOLLARS						
Province of Ontario(a)†	500	10¼%	101.475	1998	1⅞/1.575	RBC Dominion Securities
AUSTRALIAN DOLLARS						
South Aust Govt Fin.(a)†	100	12½%	100⅜%	2001	2⅛/1⅜	Hambros Bank
SWISS FRANCS						
Yazaki Corp.(a)★★†	50	7½%	99⅞%	1996	-	Wirtschafts und Prtbk.
S&B Shokuhin Co.(a)★★†	50	7¼%	99⅝%	1996	-	Swiss Bank Corp.
D-MARKS						
Lndwtschaftliche Rentbk(f)†	50	10¼	100¾%	1993	1¼/1½	Salomon Brothers AG
LIRE						
World Bank(a)†	*600bn*	*11⅝%*	*101.45%*	1998	1⅞/1¼	*Bnca Comm' Italiana*

★★Private placement. §Convertible. ♦With equity warrents. ‡Floating rate note. †Final terms. a) Non-callable. b) Final terms to be set 9/4/91. c) Final terms to be set 9/4/91. d) Final terms to be set 8/4/91. e) Bond issues are credit card backed. f) Issuer has option to redeem bonds at par at maturity or receive 479 marks plus two Commerz Bk shares for each 1000 mark bond.

BAe raises £150m in Eurobond issue

By Tracy Corrigan

BRITISH Aerospace took advantage of falling absolute funding costs at the long end of the sterling bonds market to raise £150m of 18-year Eurobonds.

"We took the view that a rate of 12 per cent before tax and below 8 per cent after tax was a good level to lock in long-term funding," said Mr Tony Rice, BAe's treasurer. He added the company had been looking to extend its debt profile.

Although companies still have to pay historically high margins above gilts – the BAe deal was priced at a spread of 215 basis points above the 9 per cent gilt due 2008 – the all-in cost of funds, now seen as a more important issue, has fallen substantially, to levels last seen at the start of 1990.

Mr Rice said the deal represents long-term, equity-type financing which will provide core funding for the company during its substantial development programme this decade. He added that the widening of margins in the banking market and the growing reluctance of banks to lend to less than triple-A credits had also played a part in the decision.

The likelihood of fresh issuance at the long end of the gilt market later in the year and the possibility of further issuance by utilities, influenced the timing of the deal.

British Aerospace has no *plans for further funding*, but will watch the market. Mr Rice noted a gap in the maturity profile of the company's debt at seven to 10 years.

White-knuckle ride for junk bonds

Potential hazards litter the road ahead, warns **Patrick Harverson**

A GREAT deal of attention has been focused this year on the rise in the US stock market, but an equally strong performance from the junk bond market has passed by with much less fanfare.

Since January, junk bond values have climbed by between 13 per cent and 17 per cent, depending upon which of the many bond indices used. By comparison, the Dow Jones Industrial Average has risen by just over 10 per cent, although the broader Standard & Poor's 500 index compares more favourably, with a 17 per cent gain since the new year.

The chief beneficiaries of the rise in junk bond prices have been the mutual funds. Figures compiled by Moody's, the US credit rating agency, show the net asset value of 30 high-yield mutual funds rose for 40 consecutive days between early February and late March.

Net asset values of those funds rose 11.2 per cent, while the total return on junk bond funds increased by 13.9 per cent.

It is fitting that the junk bond funds should have prospered because they have been responsible for a good part of the gain in bond prices. Or rather, a rush of cash into mutual funds from US investors has been responsible.

That sudden influx of money into the funds was prompted by a surge in optimism about the outlook for the economy. Investors have been putting their money into the funds because they think the recession has bottomed.

This growing confidence about economic recovery has also had a direct impact on junk bond prices. A stronger economy means a stronger corporate America. Sales go up, cash flows improve, balance sheets strengthen, and the ability of leveraged companies to service their high-yield debt is enhanced. Consequently, bond prices rise.

Demand for junk bonds has also risen because investors reckon the high-yield market is undervalued. As Mr Joseph Bencivenga, analyst at Salomon Brothers, the US investment bank, explained: "The stock market showed supreme optimism and bond rates fell, so the guy in the street said the only thing that looks undervalued are high-yield bonds."

The growing number of companies buying back their own high-yield debt, either with money raised via stock issues, or through straight swaps of equity for debt, has also boosted junk bond prices.

RJR Nabisco, the tobacco and consumer products group which was the subject of a record $25bn leveraged buy-out in 1989, announced two weeks ago that it would raise $1.5bn via sales of common stock and senior debt as part of a plan to pay off some of its more expensive debt.

Speculation that a company is planning a buy-back of principal can also work wonders. RH Macy, the retailer, has seen its junk bonds rise significantly recently on hopes that it would sell its credit card operations to pay for its own debt.

"Everyone has been betting on which company is going to do it next," said one bond dealer.

The return of strategic bids has also buoyed the junk bond market. Since the start of the year Hasbro has lined up fellow toy company Tonka, and Harcourt Brace Jovanovich has received an offer from General Cinema. Just like the equity market, the junk market loves a takeover.

Junk bond values have risen in spite of a fall in the number of institutions willing, or able, to play the high-yield markets.

Many of the savings and loan (S&L) institutions that contributed so much to the success of junk bonds in the 1980s have disappeared from the scene in a flurry of bankruptcies.

Insurance companies and banks, who once had a big appetite for high-yield debt, are also pulling back from the market under pressure from regulators and shareholders who demand tougher balance sheet standards.

Yet one organisation that is throwing itself into the market with gusto is the Resolution Trust Corporation. The RTC, the government agency responsible for cleaning up the mess left by the collapsed S&L industry, has been taking advantage of the bull market in junk to sell bonds previously owned by the bankrupt S&Ls.

Almost $3bn of junk bonds has been sold by the RTC since it was set up two years ago, much of it in the past four months. And the RTC has found no shortage of buyers for its high-yield paper.

Ironically, at the front of the queue for junk bonds have been many of the Wall Street firms that sold the junk bonds to the thrifts in the first place, including Salomon Brothers, Wasserstein Perrella, Morgan Stanley, Merrill Lynch, and Shearson Lehman.

Presumably, these giants of Wall Street bought back the bonds at a big discount to the price at which they were originally sold to the thrifts.

In spite of the recent gains in junk bond prices, the road ahead for holders of high-yield corporate debt remains littered with potential hazards. The year of 1990 may have been a record one for defaults – they more than doubled to $24.6bn – but analysts expect this year to be even worse.

Forced restructurings are also likely to rise, as more companies find they cannot quite make repayments on matured debt. And if junk bonds can go up on the back of equity prices, they can also go down. Among high-yield analysts there is a feeling that the rise in junk bonds may have been overdone.

As one broker put it, in true analyst-speak: "The market is definitely looking a bit toppy."

Spain and Italy 'top performers' in bond markets

By Sara Webb

SPAIN and Italy were the top performing bond markets last month, providing investors with returns of 2.69 per cent and 1.9 per cent respectively in local currency terms, according to JP Morgan's Government Bond Index Monitor.

Spain was also one of the top performing markets for the entire first quarter, with a return of 6.58 per cent in local currency terms, as the market has opened up to foreign investors since the start of the year. Yields in Spain fell by 189 basis points last month due to a cut in the interest rate. Interest in the Italian market was lifted by the introduction of a 10-year issue and reports that the government would allow foreign investors to recover withholding tax on bonds.

France and the UK also provided strong returns in local currency terms for the first quarter: the return on the UK gilt market was 6.65 per cent while the return on the French market was 6.45 per cent in the first three months.

Returns from other European markets were flat during March while only the Japanese government bond index had a significant loss of 0.45 per cent. All the bond markets showed gains of 3.9 per cent or more over the first quarter, with the exception of JGBs and US Treasuries. In US dollar terms, March showed the worst foreign bond market performance since November 1978 with losses on the German, Dutch and Belgian bond markets over 10 per cent in dollar terms.

BIL income reduced by big increase in provisions

By Andrew Hill in Brussels

A LARGE increase in provisions against its credit and securities portfolios reduced consolidated net income at Banque Internationale á Luxembourg (BIL), the grand duchy's largest local bank, by more than 31 per cent last year, from LFr1.5bn (US$43m) to LFr1.03bn.

Unconsolidated net profit dropped from LFr1.43bn to LFr780m and the bank has proposed a reduced net dividend of LFr350 per share, against LFr500 in 1989.

BIL was half-owned by *Groupe Bruxelles Lambert* (GBL), the Belgian holding company, until the middle of last month when GBL sold a 25 per cent stake to the public-sector institution Crédit Communal de Belgique for more than BFr5bn. Crédit Communal has an option to buy the remainder of the GBL holding by the end of 1993.

BIL's total assets of LFr510bn were almost unchanged on the previous year, reflecting the slowdown in activity during 1990, but the volume of private customer and company deposits rose by *14 per cent.*

Cheung Kong warrants to raise HK$530m net

By Angus Foster in Hong Kong

MR LI KA-SHING, Hong Kong's wealthiest businessman, has issued 110m covered warrants on his property flagship, Cheung Kong (Holdings).

The warrants, priced at HK$5, are exercisable within two years at HK$19.30, yesterday's closing price for the ordinary shares in Hong Kong.

The issue price represents a gearing of 3.9 times and a premium of 26 per cent. Net proceeds of the issue, about HK$530m, are due to Mr Li, who has not indicated how the money will be used. *He owns* 34.9 per cent of Cheung Kong, and if all the warrants are exercised his stake would fall to 29.9 per cent.

The arranger, Peregrine Brokerage, said the issue was more than three times subscribed. The warrants were issued to institutions via a private placement.

● The new issue of shares in Great Wall Electronic International, a HK consumer electronics group, has been more than 58 times subscribed, according to sponsors Standard Chartered Asia. The issue *raised HK$160m.*

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday April 3 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Apr 2 Index No.	Thu Mar 28 Index No.	Wed Mar 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	885.89	+1.2	11.19	5.45	10.95	9.61	875.01	869.21	874.36	844.49
2	Building Materials (24)	1152.22	+1.4	11.55	5.36	10.66	5.50	1136.62	1132.32	1137.07	1024.01
3	Contracting, Construction (31)	1411.13	+0.8	10.57	5.60	12.23	15.34	1400.43	1399.24	1403.34	1382.92
4	Electricals (10)	2495.28	+1.4	10.77	5.36	11.44	13.27	2460.60	2453.35	2471.90	2453.79
5	Electronics (26)	1859.04	+1.7	8.46	4.80	15.71	3.12	1827.52	1809.66	1845.94	1765.25
6	Engineering-Aerospace (8)	460.19	+1.1	15.15	5.41	7.97	8.86	455.34	444.21	448.56	430.49
7	Engineering-General (47)	463.85	+0.6	12.71	5.64	9.48	6.28	461.14	459.53	460.51	467.01
8	Metals and Metal Forming (8)	509.18	+0.7	17.91	6.78	6.89	0.59	505.47	490.37	490.69	475.45
9	Motors (13)	356.45	+0.8	11.97	6.69	9.88	6.55	353.76	350.99	354.77	346.57
10	Other Industrial Materials (20)	1577.48	+1.6	9.11	5.13	12.97	28.92	1552.65	1551.51	1554.52	1557.50
21	CONSUMER GROUP (185)	1463.20	+1.2	8.39	3.64	14.77	9.69	1445.81	1427.25	1427.85	1215.12
22	Brewers and Distillers (22)	1793.77	+0.3	8.97	3.61	13.74	14.76	1787.74	1759.18	1761.43	1416.40
25	Food Manufacturing (20)	1196.70	+0.7	9.49	4.07	13.03	15.95	1188.85	1184.02	1179.03	1051.50
26	Food Retailing (16)	2700.48	+1.8	8.10	2.88	16.13	4.34	2652.69	2611.73	2624.01	2208.53
27	Health and Household (21)	3277.89	+1.1	6.20	2.58	19.18	17.97	3241.47	3185.90	3183.20	2553.91
29	Hotels and Leisure (21)	1387.93	+1.0	9.84	4.97	11.97	9.39	1374.04	1352.13	1354.96	1370.34
30	Media (24)	1496.40	+1.5	9.45	4.52	13.31	14.07	1474.81	1465.38	1451.95	0.00
31	Packaging, Paper & Printing (16)	677.27	+3.6	8.32	4.87	15.01	5.03	653.68	654.14	653.24	574.95
34	Stores (34)	904.18	+1.9	9.20	4.04	14.10	2.21	887.51	877.23	884.55	744.77
35	Textiles (11)	563.46	+1.8	9.42	5.70	13.39	2.61	553.32	542.42	538.41	493.98
40	OTHER GROUPS (108)	1219.25	+1.7	9.88	4.95	12.38	8.15	1198.41	1182.97	1186.82	1131.54
41	Business Services (13)	1225.78	+2.1	10.82	4.77	11.32	2.85	1200.45	1181.43	1192.45	0.00
42	Chemicals (21)	1278.90	+1.3	9.18	5.60	12.49	23.53	1262.43	1250.09	1257.09	1197.84
43	Conglomerates (10)	1594.48	+1.0	10.56	6.47	11.31	10.66	1578.79	1546.20	1562.06	1595.02
44	Transport (14)	2242.31	+1.5	11.03	4.60	11.06	6.97	2208.57	2185.97	2192.67	2198.10
45	Electricity (14)	1149.27	+1.6	12.06	5.80	10.39	0.00	1131.51	1128.05	1131.59	0.00
46	Telephone Networks (4)	1425.34	+2.5	9.33	3.50	13.95	0.00	1390.64	1365.47	1366.10	1106.21
47	Water (10)	2457.37	+1.5	13.80	5.70	8.10	39.69	2420.85	2399.76	2403.96	1928.23
48	Miscellaneous (22)	1927.01	+1.7	6.28	4.83	20.27	21.39	1894.13	1879.91	1875.71	1805.47
49	INDUSTRIAL GROUP (480)	1248.87	+1.4	9.45	4.43	13.03	9.39	1231.85	1217.62	1220.62	1109.53
51	Oil & Gas (20)	2358.38	+0.3	10.96	5.65	11.92	38.85	2351.33	2355.55	2366.78	2263.82
59	500 SHARE INDEX (500)	1343.91	+1.2	9.64	4.59	12.87	11.66	1327.41	1314.34	1317.98	1205.77
61	*FINANCIAL GROUP (97)*	839.43	+1.2	-	5.61	-	15.07	829.20	819.58	824.13	806.24
62	Banks (9)	931.38	+1.4	7.87	5.90	18.31	21.93	918.61	895.90	903.27	878.36
65	Insurance (Life) (7)	1540.62	+1.2	-	5.35	-	38.87	1522.74	1543.04	1534.10	1303.43
66	Insurance (Composite) (6)	710.91	+1.6	-	6.17	-	11.60	699.80	691.12	697.03	656.53
67	Insurance (Brokers) (8)	1173.80	-0.4	6.24	5.72	20.89	20.10	1178.66	1177.94	1172.94	1030.90
68	Merchant Banks (7)	436.77	+1.2	-	4.64	-	3.90	431.66	429.87	429.68	461.59
69	Property (40)	1028.02	+1.2	6.55	4.55	20.64	3.69	1016.04	1009.87	1023.19	1135.20
70	Other Financial (20)	294.49	+0.6	9.53	6.13	13.01	3.59	292.60	292.58	290.49	318.48
71	Investment Trusts (69)	1214.00	+1.4	-	3.38	-	10.52	1196.82	1192.59	1196.38	1137.37
99	ALL-SHARE INDEX (666)	1220.31	+1.2	-	4.70	-	12.18	1205.28	1193.33	1197.11	1107.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 2	Mar 28	Mar 27	Mar 26	Mar 25	Year ago
FT-SE 100 SHARE INDEX‡	2519.1	+30.8	2526.9	2515.2	2488.3	2456.5	2464.6	2437.6	2431.9	2231.6

FIXED INTEREST

	PRICE INDICES	Wed Apr 3	Day's change %	Tue Apr 2	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.95	+0.11	120.81	1.75	3.07
2	5-15 years (30)	132.15	+0.26	131.81	2.09	3.58
3	Over 15 years (8)	139.24	+0.43	138.65	1.25	4.05
4	Irredeemables (6)	155.76	+0.52	154.96	3.49	1.50
5	All stocks (72)	130.84	+0.23	130.54	1.95	3.47
	Index-Linked					
6	Up to 5 years (1)	159.23	....	159.22	1.28	1.03
7	Over 5 years (10)	146.52	+0.35	146.00	0.69	1.16
8	All stocks (11)	147.44	+0.34	146.94	0.71	1.15
9	Debs & Loans (54)	109.50	+0.09	109.40	2.02	2.65

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 3	Tue Apr 2	Year ago (approx.)
	British Government				
1	Low	5 years	9.32	9.39	11.63
2	Coupons	15 years	9.59	9.64	11.22
3	(0%-7¾%)	20 years	9.67	9.73	11.14
4	Medium	5 years	10.16	10.20	12.75
5	Coupons	15 years	9.98	10.03	11.62
6	(8%-10¾%)	20 years	9.94	9.98	11.37
7	High	5 years	10.30	10.34	12.87
8	Coupons	15 years	10.16	10.21	11.92
9	(11%-)	20 years	10.11	10.16	11.65
10	Irredeemables	†	9.93	9.98	11.11
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.73	3.73	4.55
12	Inflation rate 5%	Over 5 yrs.	4.11	4.14	4.12
13	Inflation rate 10%	Up to 5 yrs.	2.90	2.90	3.59
14	Inflation rate 10%	Over 5 yrs.	3.93	3.95	3.94
15	Debs &	5 years	11.85	11.84	15.68
16	Loans	15 years	11.64	11.64	14.31
17		25 years	11.45	11.45	13.63

‡Opening index 2524.1; 9 am 2526.1; 10 am 2517.2; 11 am 2526.5; Noon 2524.2; 1 pm 2524.7; 2 pm 2524.8; 2.30 pm 2524.8; 3 pm 2522.2; 4.10 pm 2518.8; (a) 11.18am (b) 9.44am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	71	0	14
Corporations, Dominion and Foreign Bonds	7	1	12
Industrials	590	145	810
Financial and Properties	316	67	363
Oils	17	24	52
Plantations	1	1	8
Mines	36	34	92
Others	77	42	43
Totals	1,115	314	1,394

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
↑	F.P.	-	61	60	Aberdeen Trust 10p	61	+1	2.5	1.8	5.5	13.8
↑	F.P.	-	31	29	Do A Warrants 10p	31	+1	-	-	-	-
40	F.P.	-	49	43	Alliance Res. 10p	44		-	-	-	-
100	F.P.	-	106	104	Contra-Cyclical Inc 1p	106	+2	-	-	-	-
25	F.P.	-	25	22½	Do. Capital	25	+2½	-	-	-	-
100	F.P.	-	101	100	Drayton Blue Chip Tst.	101	+1	-	-	-	-
§100	F.P.	-	95	58	‡Eidos 10p	60		-	-	-	-
75	F.P.	-	75	65	Etonbrook Props.	68	-1	-	-	-	-
-	F.P.	-	18	13	‡Europe Energy 5p	15		-	-	-	-
-	F.P.	-	4025	3475	*Eurotunnel Fnder. Wrrnts*	3775		-	-	-	-
100	F.P.	-	104	104	Geared Income Inv. Tst.	104		-	-	-	-
-	F.P.	-	163	90	JF Pacific (New Wrrnts)	163	+5	-	-	-	-
-	F.P.	-	9	6	MMI Warrants	9		-	-	-	-
175	100	-	140½	110	National Power	135	+2½	R8.24	2.7	8.1	5.9
175	100	-	140½	112	PowerGen	131½	+1½	R8.32	2.6	8.4	6.0
50	F.P.	-	45	42	Trio Inv. Trust	42		-	-	-	-
-	F.P.	-	9	6	Do Warrants	8		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	-3
50p	-	-	56p	55p	Contra-Cyclical Zero Div. Prf 50p	55	
100p	-	-	106p	105p	Drayton Blue Chip Tst. Zero Prf £1	106p	+½
100p	F.P.	-	115p	93p	Evered Bardon 7.25p (Net) Cnv Rd Pf	111p	
‡	36½	29/11	38p	30p	‡Greenacre Group Cv. Rd. Prf. 70p	30p	
35	-	-	46½	29½	Grovewood Securities 8pc Cv Ln 2000	46½	
100p	F.P.	-	103p	80p	Lilleshall 9pc Cv. Rd. Prf. £1	102p	
100p	F.P	-	116p	96p	TT Group 10⅜pc Cov. Red. Prf. 1997	116p	+1
100p	F.P	-	143p	97p	Worcester Cnt Rd Cv Pf	143p	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
800	Nil	-	146pm	94pm	Bass	137pm	+7
105	Nil	-	27pm	13pm	Cookson Group	16pm	+3
155	Nil	-	38pm	32pm	*Hartstone Grp. 10p*	38pm	
A$5.25	Nil	-	21pm	14pm	Nat. Australia Bank A$1	16pm	+1
238	Nil	-	36pm	26pm	Persimmon 10p	36pm	+4
510	Nil	-	82pm	58pm	Redland	82pm	+8
10	Nil	-	8pm	5pm	Saatchi & Saatchi 10p	8pm	+1½
200	Nil	-	35pm	30pm	Sage Group 5p	31pm	
360	Nil	-	55pm	48pm	Wilson Bowden	54pm	+2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ↑ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings March 18
- Last Dealings April 5
- Last Declarations June 27
- For settlement July 8

For rate indications see end of London Share Service

Calls in ADT, Barratt Devs., Budgens, Control Secs., Cookson, Eurotunnel warrants, Pittencrieff, Premier Cons., Saatchi & Saatchi and Whitegate Leis. Put and call in Saatchi & Saatchi.

LONDON TRADED OPTIONS

Option		CALLS Apr	CALLS Jul	CALLS Oct	PUTS Apr	PUTS Jul	PUTS Oct
Alld Lyons (*518)	460	63	68	80	2	8	13
	500	26	40	55	5½	20	26
	550	3½	17	32	35	50	55
ASDA (*129)	120	11	18	20	1½	4	7
	130	5	10½	15	5	8	11
	140	1	7	10	13	15	17
Brit. Airways (*171)	160	14	18	23	2½	8½	12
	180	3	8½	14	13	23	24
	200	1½	-	-	30	-	-
SmKl Beecham A (*786)	700	90	113	130	2	10	15
	750	45	73	96	7	22	29
	800	16	45	67	27	42	49
Boots (*365)	330	39	46	53	1	8	9
	360	13	24	36	8	16	19
	390	2	12	21	27	34	38
B.P. (*331)	300	34	40	46	2	5	9
	330	9	21	28	6½	14	20
	360	2	9	15	31	33	38
British Steel (*147)	130	18½	22½	23	1	4	5
	140	9½	14	15½	3	6½	8
	160	2½	4½	6½	14½	18	20
Bass (*946)	929	37	70	98	15	35	44
	977	14	44	70	40	63	68
	1026	3½	27	50	85	92	100
C & Wire (*520)	460	65	78	93	1	9	14
	500	32	50	65	7	22	28
	550	6	24	40	35	48	53
Courtaulds (*420)	360	63	67	77	1	4	6½
	390	33	41	55	3	11	15
	420	10½	24	36	11	25	29
Com. Union (*530)	460	76	90	93	1	5	9
	500	37	58	65	4½	13	19
	550	7	27	38	27	34	40
Fisons (*483)	420	64	74	86	1	6	8½
	460	25	43	59	5½	15	20
	500	4	22	36	28	36	40
GKN (*378)	360	24	42	48	4	12	19
	390	7	24	32	17	24	32
	420	1½	-	-	44	-	-
Grand Met. (*832)	750	89	112	128	3	14	19
	800	44	77	98	12	29	36
	850	17	48	70	32	50	59
I.C.I (*1061)	1000	70	112	124	7	23	35
	1050	33	80	97	20	40	57
	1100	14	53	72	50	67	82
Kingfisher (*461)	420	47	56	66	3	11	17
	460	15	31	43	11	27	31
	500	3½	15	25	22	52	54
Ladbroke (*296)	280	21	33	40	4	14	20
	300	9	19	29	12	24	30
	330	2	-	-	36	-	-
Land Secs (*547)	500	50	58	65	2½	7½	12
	550	12	22	35	13	29	32
	600	1½	7	16	56	63	65
M & S (*247)	240	12	20	27	4	11	13
	260	2½	11	18	15	24	26
Sainsbury (*363)	330	37	43	54	1½	5	8
	360	11	24	31	8	16	19
Shell Trans. (*483)	460	32	50	60	5	12	18
	500	7	26	35	22	30	35
Storehouse (*119)	110	11	14	20	2	6	10
	120	5	10	15	7	10	14
Trafalgar (*268)	260	14	26	36	7	21	27
	280	3½	16	26	19	33	38
Utd. Biscuits (*393)	360	37	50	59	1	7	9
	390	12	29	38	8	15	19
Unilever (*762)	750	27	50	82	13	25	30
	800	6	32	54	42	47	54
Ultramar (*328)	300	32	42	50	3	7	11
	330	8	24	33	11	18	23

Option		CALLS May			PUTS May		
Elec. Pkg. (*1890)	1850	120	-	-	60	-	-
	1900	90	-	-	80	-	-
Southern Elec (*177)	160	22	-	-	2½	-	-
	180	9	-	-	11	-	-

Option		CALLS May	CALLS Aug	CALLS Nov	PUTS May	PUTS Aug	PUTS Nov
Brit Aero (*648)	600	69	93	105	9	20	25
	650	36	60	73	26	37	43
BAA (*420)	390	45	52	65	5	12	16
	420	21	32	43	15	26	31
BAT Inds (*722)	700	47	64	80	17	32	42
	750	20	38	54	42	57	67
BTR (*414)	390	37	53	57	8	14	20
	420	17	35	40	20	25	30
Brit. Telecom (*359)	330	36½	44	51	3	8½	11
	360	15½	23	32	13	19	22
Cadbury Sch (*398)	390	23	39	49	11	18	22
	420	10	20	35	28	32	37
Eastern Elec (*172)	160	18	21	23	4	11	12
	180	7	10	12	12	22	24
Guinness (*912)	850	83	110	125	10	20	24
	900	45	78	93	25	37	43
GEC (*207)	200	15	17	24	4½	10	12
	220	4½	8	13½	15	22	24
Hanson (*236)	220	23	28	34	3	6½	7½
	240	10	16	23	9½	16½	18
LASMO (*347)	330	28	43	52	8	16	19
	360	14	27	38	23	30	35
Lucas Inds (*169)	160	16	23	26	5	9	12
	180	5½	11	17	16	18	21
P. & O. (*624)	600	33	50	60	20	32	40
	650	11	28	35	54	59	67
Pilkington (*185)	180	16	18	22	7½	14	16
	200	6	9	13	20	29	30
Prudential (*241)	240	13	23	28	9	12	16
	260	5	12½	17	22	24	26
Racal (*226)	220	16	22	29	9	14	16
	240	7	-	-	20	-	-
R.T.Z. (*569)	500	80	98	106	4	8	13
	550	40	60	72	12	20	27
Scot. & New (*378)	360	30	39	46	7	15	17
	390	13	23	30	20	29	32
Tesco (*273)	260	-	-	32	-	-	11
	280	7	16	21	15	17	21
Thames Water (*300)	300	16	21	25	10	20	22
	330	3½	8	13	31	40	41

Option		CALLS Apr	CALLS Jul		PUTS Apr	PUTS Jul	
STC (*320)	300	-	-	-	¼	¼	-
	330	¼	-	-	-	-	-

Option		CALLS Jan	CALLS Sep	CALLS Dec	PUTS Jan	PUTS Sep	PUTS Dec
Abbey Nat. (*278)	260	28	34	42	4½	8	9
	280	15	23	30	12	16	17
Amstrad (*81)	80	7½	12½	17	5	8	10
	90	4½	8	12	11	13	15
Barclays (*463)	420	58	68	77	7½	16	18
	460	31	41	52	21	30	35
Blue Circle (*277)	260	24	32	36	11	16	20
	280	13	22	25	23	28	30
British Gas (*247)	240	20	21	26	7	12½	15
	260	8½	11½	17	16	24	26
Dixons (*187)	180	18	22	28	8	14	16
	200	8½	13	18	20	23	26
Eurotunnel (*503)	500	45	71	87	45	49	53
	550	25	52	64	68	78	80
Glaxo (*1139)	1100	92	125	154	28	45	54
	1150	62	95	124	50	67	75
Hawker Sidd. (*584)	550	57	80	85	20	32	38
	600	30	55	60	45	55	65
Hillsdown (*249)	240	22	32	37	12	20	21
	260	11	22	27	25	29	32
Lonrho (*262)	260	18	24	31	12	16	19
	280	7½	15	21	24	29	30
Midland Bk (*206)	200	20	26	34	10	15	17
	220	10	17	23	22	26	28
National Power (*135)	130	-	13	16	-	5	9
	140	-	7	11	-	9	14
Reuters (*886)	850	93	110	133	35	48	58
	900	55	85	110	55	70	80
R. Royce (*165)	160	15	21	26	7	10	12
	180	6½	12	16	17	21	22
Sears (*93)	90	7	10	12	6	8	10
	100	2½	5½	7	13	14	16
*THF (*280)*	*280*	*12*	*23*	*26*	*18*	*22*	*24*
	300	6½	13	-	32	34	-
Thorn EMI (*744)	700	70	67	78	12	27	33
	750	37	40	51	30	52	55
TSB (*153)	140	18	22	24	3	5½	6½
	160	6½	10	13	12	14½	16
Vaal Reefs (*555)	50	10	12	14½	3½	6	7½
	60	5½	8	10½	9	12	13
Wellcome (*538)	500	62	80	89	15	23	28
	550	31	50	62	35	43	48

EURO FT-SE INDEX (*2519)

	2275	2325	2375	2425	2475	2525	2575	2625
CALLS								
Apr	272	223	175	129	88	55	30	15
May	285	239	195	153	116	83	58	38
Jun	-	255	-	173	-	107	-	56
Sep	-	305	-	235	-	170	-	117
Dec	-	349	-	278	-	217	-	165
Mar	-	385	-	320	-	265	-	225
PUTS								
Apr	3	5	8	13	23	40	67	100
May	9	12	18	27	39	58	81	110
Jun	-	16	-	35	-	67	-	115
Sep	-	33	-	57	-	89	-	130
Dec	-	55	-	80	-	115	-	156
Mar	-	75	-	95	-	125	-	165

FT-SE INDEX (*2519)

	2250	2300	2350	2400	2450	2500	2550	2600
CALLS								
Apr	295	246	197	152	108	73	42	21
May	305	258	213	170	129	95	67	45
Jun	319	275	233	195	158	120	93	68
Jul	338	294	252	213	176	143	114	89
Dec †	-	360	-	290	-	225	-	170
PUTS								
Apr	2	4	6	10	17	33	56	90
May	8	11	15	23	33	50	72	107
Jun	11	15	22	30	42	60	82	112
Jul	18	22	30	40	53	70	93	120
Dec †	-	45	-	72	-	110	-	150

April 3 Total Contracts 32,136
Calls 21,594 Puts 10,542
FT-SE Index Calls 7,952 Puts 4,150
Euro FT-SE Calls 79 Puts 27
*Underlying security price. † Long dated expiry mths

FINANCIAL TIMES Thursday April 4 1991

AMERICA

Senior markets slumber as second-liners advance

Wall Street

ALTHOUGH second-liners maintained their upward momentum yesterday morning, the main markets slumbered as investors stopped to catch their breath after Tuesday's big gains, *writes Patrick Harverson in New York.*

By 12.30 pm the Dow Jones Industrial Average was up just 3.71 at 2,948.76 and by midday the Standard & Poor's was up 1.49 at 380.99. The Nasdaq composite of over-the-counter stocks, however, was up 4.07 at 495.27 at another all-time high.

Turnover on the Big Board was heavy at 107m shares, and with advancing shares outpacing declining shares by almost two to one, the overall tone of the market remained firm.

Analysts had expected some consolidation after the 63-point rise in the Dow on Tuesday, but demand for second-liners, especially companies with proven earnings records, had been expected to remain strong. As for the Dow, a breakthrough above the 3,000 mark is confidently expected, probably within the next week.

Trading in Chemical Bank was delayed at the start after a long queue of buyers created an order imbalance. The demand was stimulated by an upgrade from Kidder Peabody, which changed its rating on the stock from a sell to a buy, citing good earnings momentum, better credit quality and a lower risk profile at Chemical. By midday the shares had climbed $1¼ to $19 in active trading.

Other banks, helped in recent days by hopes of lower interest rates, firmed alongside Chemical. Citicorp rose $¾ to $15¾ on turnover of 1.4m shares, Chase Manhattan added $¾ to $16⅝, J.P. Morgan advanced $1¼ to $48¼ and Manufacturers Hanover climbed $⅞ to $26¼.

Silicon Graphics slipped $3½ to $39 on turnover just short of 1m shares after the company warned that fiscal third quarter earnings would not match the 49 cents a share achieved in the second quarter.

IBM, up $¾ at $113¾, shrugged off the news that Duff & Phelps, the credit rating agency, had downgraded some of the group's debt because of pressures on profitability, especially in mainframes.

Elsewhere in the computer sector Digital Equipment put on $¾ to $64¾, Compaq rose $2¾ to $65¼ after it agreed to buy a 13 per cent stake in Silicon Graphics, and Hewlett Packard rose $¾ to $51¼.

Dillard Department Stores firmed $5 to $106 after the 9m shares owned by Vendamerica, a Dutch group, were sold successfully into the market at $99 a share. Cabletron rose $2¾ to $39 following reports that the company is comfortable with analysts' estimates of fourth quarter earnings of 30 cents to 40 cents a share.

On the over-the-counter market, Imatron jumped $¾ to $2¾ on turnover of 1.6m shares as buyers continued to pick up the stock on the news that the company had a $4m licensing fee from Siemens, the German computer group.

ADT recovered from Tuesday's declines, rising $¾ to $15¾ in busy trading. The shares had been weaker in reaction to a lawsuit from Laidlaw, which will attempt to overturn a standstill pact preventing Laidlaw from acquiring a larger stake in ADT.

Price Co climbed $1 to $48¾ after the company reported second quarter profits of 56 cents a share, up from 51 cents a share at the same stage a year earlier, and revenues of $1.4bn, up from $1.1bn.

Canada

FOLLOW-THROUGH buying after Tuesday's rise in New York lifted Toronto stocks across the board in early trading. The composite index gained 15.7 to 3,532.0. Advances led declines by 148 to 88 on volume of 6.65m shares.

Laidlaw B shares rose slightly after a positive newspaper article. The stock gained C$⅜ to C$15¼ on volume of 179,000 shares.

EUROPE

Frankfurt in the lead as bourses advance

THE 2.2 per cent rise overnight on Wall Street sparked off an advance by most bourses yesterday. Currency plays also continued to feature, *writes Our Markets Staff.*

FRANKFURT surprised analysts with its strength for the second time this week. Following a 3.97 rise to 668.97 in the FAZ index at midsession, the DAX closed 38.88, or 2.5 per cent, higher at 1,577.50. Volume climbed from DM5.3bn to DM7.8bn.

Over the past three days, the market has risen by 4.6 per cent; yet a week ago, said Ms Barbara Altmann of B Metzler in Frankfurt, most observers were expecting a further decline. The recovery, she said, reflects recoveries in the bond market and the D-Mark.

This week, a fall in average bond yields from 8.62 to 8.57 reflects the authorities' decision to postpone new government bond issues. Over the past week, the D-Mark has recovered against the dollar, from around DM1.72 to DM1.67.

Financials, chemicals, engineering and steels led yesterday's gains. Hoesch, the steel-maker which has moved into high-tech engineering, jumped to third in the most active stocks list, trading in DM696m as its shares rose DM25.50 to DM297 on a large buy order. Metallgesellschaft rose DM21.50 at DM513, still excited by Daimler's decision to take a 10 per cent stake.

AMSTERDAM gained 1.9 per cent on institutional buying. The CBS Tendency index rose 1.8 to a year's high of 98.2 in turnover estimated at Fl 600m to Fl 700m. Among the winners, Philips jumped Fl 1.70 or 6.1 per cent to Fl 29.70, mostly on foreign demand, and Pirelli Tyre rose Fl 1.40 or 6.4 per cent to Fl 23.40 in spite of its sombre 1991 forecast on Tuesday.

Aegon, the insurer, added Fl 2.20 to Fl 133.70 after announcing results in line with expectations and raising its dividend. These were the company's first results produced on less conservative accounting principles, and were therefore of significance for the future performance of other insurers, said one analyst. Amev rose Fl 1.70 to Fl 59.60 and Internationale-Nederlanden added Fl 1.70 to Fl 52.50.

Pakhoed gained Fl 3.70 to Fl 197.70; the transport and storage company is due to report figures today.

PARIS advanced in fairly busy trading, with the CAC 40 index up 24.79 or 1.4 per cent at 1,851.89. Turnover rose to about FFr2.7bn from FFr2.5bn.

Alcatel Alsthom, the electrical engineering group, added FFr8 to FFr621 on volume of 337,430 shares. As the bourse closed, the company released its 1990 results and announced an offer to buy out minority shareholders in three subsidiaries through a share swap. The three units, Générale Occidentale, Saft and Locatel, were suspended on Tuesday.

Alcatel's profits rise was as good as expected, said one salesman. He added that the current trend towards buying in minorities was technically positive for the market, as it reduced the free float and so helped to push prices higher.

Pernod gained FFr64 or 5.5 per cent to FFr1,281 with 45,450 shares exchanged. The drinks group said that it had not ruled out selling its stake of about 2.5 per cent in Suez, which added FFr3.30 to FFr346.30.

MILAN's Comit index closed 6.96, or 1.3 per cent, higher at 592.02, led up by Generali, Cir and Olivetti. The insurer enjoyed US interest and rose L750 to L35,800.

Mr Carlo De Benedetti's key holding company, Cir, rose L80, or 3.4 per cent, to L2,640, and Olivetti by L82 to L4,040 in late trading. Meanwhile the Fiat group retailer, Rinascente, put on L260, or 4.3 per cent, to L6,280 following Tuesday's higher profits for 1990.

ZURICH rose 1 per cent, the Crédit Suisse index closing 5.9 higher at 556.9. Foreign buying centred on chemicals, where Ciba-Geigy registered rose SFr80 to SFr2,640. Banks climbed on interest rate hopes. Union Bank registered closing SFr27 higher at SFr771.

STOCKHOLM saw foreign interest in its big consumer durables companies, Electrolux rising SKr7 to SKr237 and Volvo SKr11 to SKr330. The Affärsvärlden General index closed 18.20, or 1.7 per cent, higher at 1,112.20.

FT-SE Eurotrack 100 - Apr 3

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1110.78	1111.63	1113.67	1114.34	1115.73	1115.92	1116.15	1116.86

Day's High 1117.27 . Day's Low 1110.75

Apr 2	Mar 28	Mar 27	Mar 26	Mar 25
1100.81‡	1093.14	1090.17	1076.79	1076.41

Base value 1000 (26/10/90) ‡-Corrected

The FT-SE Eurotrack 100 index for April 2 was overstated throughout the day by +12.96 because of an error in the peseta/dollar exchange rate, said the International Stock Exchange. For the same reason the Eurotrack 200 index was overstated by +7.74. The table shows the corrected closing figure for April 2.

SOUTH AFRICA

RISING international markets boosted Johannesburg yesterday, but trading was thin. The industrial index hit a record high of 3,403, up 17. Gold shares rose on the weak financial rand and steady bullion price, the all-gold index adding 40 to 1,039.

ASIA PACIFIC

Strong yen and US gains spur Nikkei

Tokyo

HOPES OF monetary easing, triggered by the stronger yen, together with the overnight surge on Wall Street, brought in broadly based buying yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 528.06 or 2 per cent to 26,780.06. It opened at the day's low of 26,322.71 and reached a high of 26,803.43 near the close.

Volume expanded to 650m shares from 400m; domestic institutions were spurred into action by heavy foreign buying. Rises led falls by 806 to 194, with 129 issues unchanged. The Topix index of all first section stocks climbed 30.86 to 2,007.56, and in London trading the ISE/Nikkei 50 index advanced 27.06 to 1,529.29.

The yen's strength caused a sharp turnround in sentiment. A Jardine Fleming trader said the Nikkei supported above the 13-week moving average was also a positive sign.

Interest rate-sensitive issues were sought on expectations of a discount rate cut. Tokyo Electric Power put on Y90 to Y4,000 and Nippon Steel added Y7 at Y488.

Mitsubishi Electric, the most active issue, rose Y30 to Y817 on foreign buying. Investors were attracted because the group is gaining a strong foothold in the Middle East.

Drug manufacturers were strong on profits expectations and in anticipation of drug developments. The sector gained 3.42 per cent. Tanabe Seiyaku rose Y100 to Y1,260 and Fujisawa Pharmaceutical Y90 to Y1,980.

Railway-related shares rose on rumours that East Japan Railway plans to list later this year. Keisei Electric Railway added Y40 at Y1,790 and Tokyu Y60 at Y1,590. East Japan Railway's suppliers also advanced: Omron, which has received orders for automatic ticket checking machines, appreciated Y30 to Y2,230.

Machine tool makers were strong, reflecting increased orders because of the labour shortage. Toshiba Tungaloy climbed Y60 to Y890 and Hitachi Construction Machinery Y90 to Y1,560.

In Osaka, the OSE average advanced 461.02 to 29,623.70 on volume of 58m shares, up from 33m. Sumitomo Forestry added Y50 at Y1,830: the company, which is setting up several branches, has a large order backlog in spite of sluggish housing starts.

Nihon Spindle rose by its daily limit of Y100 to close at Y1,030. Investors were attracted by brisk sales of its device to remove the chemical dioxin from water.

Roundup

ONLY THREE countries in the Pacific Basin region responded in strength to Wall Street and Tokyo. Otherwise gains were modest, and Manila declined.

HONG KONG approached the all-time high of 3,950 on the Hang Seng index, advancing 79.71 or 2.1 per cent to 3,869.70. Turnover swelled from HK$1.24bn to HK$2.22bn.

Properties led the rally. Traders noted that apart from the Wall Street rise, the recent recovery in the US dollar, to which the Hong Kong dollar is linked, made Hong Kong investments more attractive.

AUSTRALIA noted some south-east Asian buying as volume climbed from A$123m to A$164m and the All Ordinaries index put on 22.2 to 1,457.0.

News Corp, cutting its third newspaper title in six months, rose 30 cents to A$9. Adelaide Steamship continued to suffer in the wake of last week's reported first-half loss, falling 3 cents to 11 cents with a heavy 4.6m shares traded, following a drop of 18 cents on Tuesday.

TAIWAN advanced by 3.1 per cent, the weighted index closing 159.54 higher at 5,344.84, but volume eased from T$88.4bn to T$83.3bn. Buying was targeted at mutual funds, automotive stocks and small-sized financial issues.

Austral decision inspires Argentina

John Barham explains the recent surge in Buenos Aires while, below, **Victoria Griffith** talks to the São Paulo exchange president

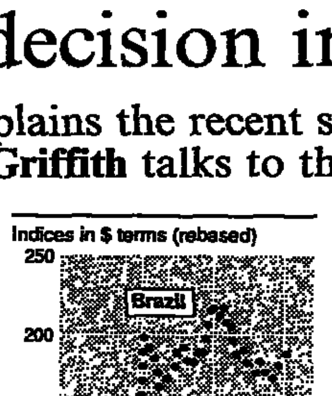
THE NARROW streets of the Buenos Aires financial district swarmed with people a couple of weeks ago. Anxious crowds watched in silence as monitors in the windows of brokerages relayed the action at the city's stock market. Far from being a witness to disaster, as so often in the past, the Buenos Aires Stock Exchange had been spectacularly rejuvenated.

Turnover hit a record $30.5m on March 21; the exchange's Merval index climbed 28 per cent on the same day, while the dollar-adjusted index gained 23 per cent, raising market capitalisation to $5.31bn.

Since then, the market has stabilised after three days of profit-taking which pulled it back down 8.8 per cent. It has even extended its gains, says Mr Marc Wenhammar of Latin American Securities in London, pointing out that, by Tuesday, the dollar-adjusted index had risen a net 2.5 per cent since March 21. Volume has also remained high, at $18m on Tuesday, compared with $3m a day six months ago.

On March 20, the day before the surge, Mr Domingo Cavallo, economy minister, announced that the austral, Argentina's currency, would be made fully convertible on April 1 and the exchange rate would not be allowed to fall below 10,000 australs to the dollar. Mr Cavallo said the central bank would stop printing money to cover government spending and promised that he would turn a budget deficit into a surplus.

Indices in $ terms (rebased)



Source: Bear Stearns

With interest rates tumbling to 3-4 per cent a month, from 5-10 per cent a few months ago, and the exchange rate under control, investors had nowhere else to go than to equities.

Mr Hugo Grimaldi, a financial commentator, says: "This is a plan to reactivate the economy. The government wants companies to make money so it can increase its tax revenues and balance the budget."

The financial market's positive reaction heartened Mr Cavallo. A member of his entourage said: "This shows that there is real confidence in Cavallo and the possibility of recovery."

All depends on his ability to control the budget and win the backing of foreign creditors. Analysts say that the Treasury cannot meet $4.57bn in annual foreign debt service payments without fresh loans, debt relief or a moratorium.

If the government can run a budget surplus and keep interest rates low, say stock exchange officials, the outlook for Argentine equities will remain encouraging. Not only will other assets stay unattractive, but stability could improve corporate cash flows as interest rates fall and purchasing power grows.

Legalisation of loans in dollars could also encourage banks to lend more money for longer periods. Loans rarely extend beyond 90 days. Manufacturers and consumers might then increase their borrowing to raise output or to increase consumption.

None the less, a fixed exchange rate and inflationary pressures will put pressure on companies to control costs. Mr Roberto Werner, head of capital markets at Banco Roberts, says: "The market is very selective, picking consumer white goods, home electronics and car stocks. Commercial banking is in for tough times. The benefits of rationalisation will be gradual, but the cost impact is immediate."

However, one dissenting observer says: "The million dollar question is whether to bet against Cavallo or not. Economy ministers in this country always do things right until one day they make a mistake and they are gone."

History is certainly not on Mr Cavallo's side. The government has launched four major assaults on inflation in the last two years; all ended in failure.

Brazilian strength scuppers merger plans

WITH THE Brazilian stock market registering gains of more than 100 per cent in dollar terms since the beginning of the year, Mr Alvaro Augusto Vidigal, president of the São Paulo Stock Exchange, has reasons to be optimistic. Trading volumes have doubled since their low point last year, and the prospect of more foreign money coming into the market has given stock prices an added lift.

The government's new rules for equities, announced two months ago, will allow direct foreign investment in Brazil and reduce the amount of time foreigners have to hold on to stock. Mr Vidigal believes the rules could go into effect within the next 60 days and is predicting a rally leading up to the event.

Things have improved so much on the trading floor that Mr Vidigal has decided that the São Paulo exchange (Bovespa) no longer needs a b[illegible] fellow. He backed out of a scheduled merger with the Rio de Janeiro Stock Exchange a couple of weeks ago, claiming that Mr Fernando Nabuco, Bovespa's former president, had given too much away in making the deal. "Bovespa, which has the lion's share of the market in Brazil, must also have most of the power," says Mr Vidigal. The exchanges' presidents were said to have fallen out over Rio de Janeiro's status as the "political seat" of the combined exchanges.

Notwithstanding all the good news, there are some clouds on the horizon for Bovespa. The Brazilian economy is still off-course, and the latest insider trading scandal, concerning the coffee markets, has taken its toll on international credibility.

The success of privatisation, which Bovespa had been counting on to increase its market size, is also in question. "Without an international accord on debt, privatisation will not be nearly as successful as everyone had hoped," says Mr Vidigal.

In spite of Brazil's economic troubles, Mr Vidigal insists that an 18 per cent setback in the index during the first three weeks in March was just profit-taking. "Brazil's stock prices are still cheap on fundamentals," says the president. "I believe there are good days ahead."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 2 1991								MONDAY APRIL 1 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	134.04	−0.6	112.40	117.35	117.11	115.00	−0.8	5.90	134.83	113.92	119.56	118.16	115.88	135.25	112.74	134.22
Austria (19)	196.59	+0.5	164.85	172.11	171.76	172.67	+0.0	1.52	195.65	165.30	173.50	171.46	172.72	222.37	167.00	280.86
Belgium (60)	140.04	+0.8	117.43	122.59	122.35	119.84	+0.0	4.91	138.96	117.41	123.22	121.78	119.86	151.20	121.73	146.46
Canada (116)	138.09	+1.1	115.80	120.89	120.64	115.59	+1.0	3.42	136.53	115.35	121.06	119.64	114.48	141.10	126.49	141.58
Denmark (31)	242.09	+1.7	203.01	211.95	211.51	213.03	+0.4	1.56	238.00	201.09	211.05	208.57	212.19	270.56	217.74	252.69
Finland (21)	117.35	−0.5	98.41	102.75	102.53	98.19	−0.5	2.47	117.91	99.62	104.56	103.33	98.67	125.15	90.81	136.70
France (113)	140.31	+1.1	117.66	122.83	122.57	125.29	+0.7	3.39	138.85	117.31	123.12	121.67	124.43	152.26	121.85	154.88
Germany (88)	108.78	+1.7	91.22	95.25	95.04	95.04	+1.4	2.38	106.91	90.33	94.82	93.69	93.69	125.36	102.43	136.57
Hong Kong (48)	153.77	+1.2	128.94	134.62	134.35	153.84	+1.2	4.38	151.99	128.41	134.77	133.20	152.06	153.77	119.62	122.41
Ireland (16)	165.30	+1.5	138.61	144.72	144.42	148.53	+0.3	3.12	162.82	137.57	144.38	142.69	146.04	182.48	132.88	185.39
Italy (91)	79.68	+0.4	66.81	69.75	69.61	74.53	+0.3	3.42	79.39	67.08	70.40	69.57	74.29	88.23	72.05	97.32
Japan (453)	138.78	+2.4	116.38	121.50	121.27	121.50	+1.1	0.71	135.52	114.50	120.18	118.78	120.18	146.97	118.35	128.07
Malaysia (33)	236.73	+0.5	198.51	207.24	206.82	250.95	−0.3	3.04	235.61	199.07	208.93	206.48	251.59	247.78	192.83	220.95
Mexico (12)	794.13	+0.5	665.93	695.25	693.82	2593.06	+0.3	0.26	789.94	667.42	700.49	692.28	2584.14	794.13	534.45	382.27
Netherland (40)	139.52	+0.2	117.00	122.15	121.90	120.52	−0.1	4.28	139.23	117.63	123.46	122.02	120.67	145.73	125.70	139.15
New Zealand (14)	45.78	+1.1	38.39	40.08	40.00	41.24	+0.7	8.28	45.27	38.24	40.14	39.67	40.96	52.31	41.18	60.78
Norway (30)	198.62	+1.5	166.56	173.89	173.54	176.85	+0.2	1.77	195.75	165.39	173.58	171.55	176.55	223.24	182.24	233.42
Singapore (25)	193.12	+0.1	161.95	169.08	168.73	159.22	−0.1	2.36	193.00	163.07	171.15	169.14	159.38	208.25	151.63	189.48
South Africa (60)	198.60	+0.3	166.54	173.87	173.51	141.64	−0.2	4.03	198.02	167.31	175.59	173.53	141.92	208.54	173.00	183.18
Spain (41)	162.93	+1.2	136.62	142.64	142.35	128.80	−0.3	4.41	160.97	136.01	142.75	141.07	129.15	171.12	131.51	134.35
Sweden (27)	188.90	+1.1	158.41	165.38	165.04	170.30	−0.2	2.55	186.93	157.93	165.76	163.82	170.60	204.12	146.60	175.25
Switzerland (65)	94.73	+1.0	79.44	82.94	82.78	83.81	+0.1	2.47	93.82	79.27	83.20	82.23	83.71	100.67	82.17	90.14
United Kingdom (295)	177.12	+1.9	148.53	155.05	154.73	148.53	+1.1	4.77	173.87	146.91	154.17	152.36	146.91	187.44	156.27	148.82
USA (525)	153.83	+2.2	129.00	134.68	134.41	153.83	+2.2	3.19	150.52	127.17	133.48	131.92	150.52	153.83	125.95	136.94
Europe (937)	141.55	+1.4	118.70	123.92	123.67	121.45	+0.8	3.88	139.56	117.92	123.76	122.31	120.51	151.62	125.50	139.64
Nordic (109)	183.21	+1.3	153.63	160.39	160.07	156.87	+0.1	2.06	180.84	152.79	160.36	158.48	156.73	200.81	155.55	186.52
Pacific Basin (647)	138.69	+2.2	116.30	121.43	121.18	121.89	+1.0	1.04	135.67	114.63	120.31	118.90	120.66	145.92	117.86	126.09
Euro – Pacific (1584)	140.21	+1.9	117.57	122.74	122.49	122.57	+0.9	2.22	137.61	116.28	122.02	120.59	121.45	147.88	121.29	133.11
North America (641)	152.78	+2.1	128.11	133.77	133.50	151.26	+2.1	3.20	149.57	126.37	132.65	131.10	148.10	152.78	125.91	139.00
Europe Ex. UK (642)	120.06	+1.1	100.68	105.13	104.92	105.64	+0.5	3.18	118.78	100.36	105.35	104.12	105.07	129.80	106.85	132.31
Pacific Ex. Japan (194)	136.77	+0.2	114.69	119.76	119.50	122.34	+0.1	5.01	136.49	115.32	121.05	119.63	122.26	137.25	111.40	127.71
World Ex. US (1772)	141.10	+1.8	118.32	123.54	123.28	123.12	+0.9	2.28	138.55	117.06	122.87	121.42	122.01	148.16	122.32	134.02
World Ex. UK (2002)	141.14	+2.0	118.35	123.57	123.32	131.08	+1.4	2.34	138.39	116.93	122.73	121.29	129.26	143.99	120.06	133.30
World Ex. So. Af. (2237)	144.00	+2.0	120.75	126.08	125.82	132.75	+1.4	2.59	141.20	119.30	125.22	123.75	130.93	147.10	122.92	134.38
World Ex. Japan (1844)	148.64	+1.8	124.64	130.14	129.88	138.77	+1.5	3.53	146.06	123.41	129.54	128.03	136.71	151.69	126.69	139.46
The World Index (2297)	144.33	+2.0	121.03	126.36	126.11	132.81	+1.4	2.61	141.54	119.59	125.52	124.05	131.01	147.40	123.28	134.67

Latest prices were unavailable for this edition.

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UK COMPANY NEWS

Caparo rises to £15.7m but expects slip this year

By Andrew Bolger

CAPARO INDUSTRIES, the steel-based engineering group, increased pre-tax profits by 11 per cent to £15.71m last year, but warned that it expected profits for 1991 to be lower.

Turnover rose by 4 per cent to £229.73m and fully diluted earnings per share improved 20 per cent to 9.25p (7.71p). A proposed final dividend of 2.3p gives a total for the year of 3.8p (3.1p).

Mr Swraj Paul, chairman, said: "These are very satisfactory figures, achieved in increasingly difficult conditions." But he added: "The slowdown in sales seen in the last months of 1990 has continued in the first quarter of 1991, and while we may see some improvement in demand in the second half, this will affect profits for the current year."

Caparo said operating profits from North America had increased to £7.5m (£4.14m), reflecting the £23m acquisition of Bock Industries, which was added to the US steel tubing operation in March last year.

However, UK operating profits fell to £12.25m (£13.82m) as a result of the slowdown in sales and tougher market conditions in the last five months of 1990 as the UK recession began to take effect.

For the second half of 1990, total group sales declined by about 15 per cent over the first half.

Mr Paul said: "The declining sales trend has unfortunately continued in the first quarter of 1991, and has also begun to affect our sales into Europe. This obviously has a significant effect on our profits, particularly since the lower sales figure is also having to be achieved with lower margins in the fiercely competitive conditions now affecting all our markets – the UK, Europe and North America."

Gearing is 88 per cent, although most of the debt is in dollars and without recourse to the UK group. Net interest payable increased to £4.04m (£3.85m). Mr Paul said interest charges were covered 4.9 times by operating profit, which he considered a very satisfactory ratio, particularly since it included the Bock buy.

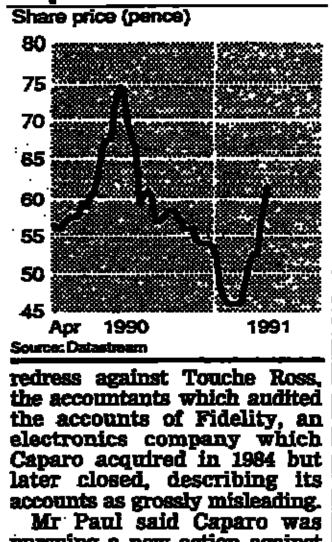
Mr Paul said government and other forecasters were suggesting that the recession would be relatively short-lived, with some improvement in demand in the second half of this year. "I hope they are right, but we cannot just wait for this possible upturn."

Caparo was thrust into the spotlight by last year's House of Lords ruling which denied it redress against Touche Ross, the accountants which audited the accounts of Fidelity, an electronics company which Caparo acquired in 1984 but later closed, describing its accounts as grossly misleading.

Mr Paul said Caparo was pursuing a new action against the auditors and seeking damages from certain former Fidelity directors. "Although it may take some time before these actions are resolved, shareholders may take some comfort that the now famous judgment has made users of accounts and other bodies look afresh at the expectations of auditors which will have to be rectified in due course."

Caparo Industries

Share price (pence)



Source: Datastream

Laidlaw, laid low, seeks recourse to Lady Law

Richard Gourlay on the case facing Michael Ashcroft and the tightly controlled ADT

LAST NOVEMBER Mr Michael Ashcroft, the chairman of ADT, used inside information to sell a 5 per cent personal stake in BAA, the former British Airports Authority, announcing the move only hours before ADT told the markets it had sold a similar stake, according to allegations made in a New York court.

Laidlaw, the Canadian waste management and school bus operator which owns 28.4 per cent of ADT, made the allegation as part of a complaint aimed at forcing greater disclosure from the Bermuda-based security and auctions group.

"On the morning of November 29 1990, defendant Ashcroft announced he had sold his personal shares to institutional investors. Several hours later, ADT announced it had sold a 5 per cent block. The price of BAA stock fell 12p to 392p on the news of ADT's sale," the complaint alleged.

Laidlaw said that the concealment of actions, including Mr Ashcroft's dealings in BAA shares, called into question the integrity of ADT's management and had deprived its shareholders of important information for investment decisions.

The case, which names Mr Ashcroft and fellow directors, Mr David Hammond, the deputy chairman, and Mr David Bates, alleges they defrauded buyers and sellers of ADT securities through the dissemination of false information.

Laidlaw is seeking to force ADT to make the necessary disclosures to comply with stock exchange regulations in the US, where its shares have their primary listing via American Depositary Receipts (ADRs). Further, it has also asked for an agreement that is currently denying Laidlaw any representation on ADT's board to be declared void.

ADT remained silent this week, apart from saying that it plans to fight the case vigorously and that the claims were without merit.

The Stock Exchange in London, where ADT has its secondary listing after Nasdaq, requires ADT to make all information available to the market that will prevent a false market arising. The exchange is understood to have been aware of the allegations of insider trading in November but never comments on whether an investigation has taken place.

At the centre of Laidlaw's case lie allegations of a complex share price manipulation scheme involving the sale by ADT of assets over at least five years to affiliate companies – which were in practice ADT-controlled. It made use of UK accounting practice that allow gains on asset sales and asset revaluations that would not "normally be recognised in parent-subsidiary dealings", the case claimed.

The scheme involved the sale of ADT assets to a US affiliate, Sechura, which had been set up to build a portfolio of investments approved by Hawley (which evolved into ADT in 1988).

Most of the portfolio was acquired from Hawley/ADT and included what Laidlaw calls "underperforming businesses", including Pineapple Dance Studios and Miss World Group.

In 1987 Sechura also received 28 per cent of Attwoods, the waste management group, and ADT's 21 per cent stake in Nu-Swift, the fire-fighting equipment and office-cleaning group, for which ADT received a C$522 loan note.

Laidlaw alleges Sechura repaid almost 30 per cent of this note by "reselling" many of the same assets to ADT within months of acquiring them.

When Sechura returned the Attwoods shares, ADT forgave $63.5m of debt, compared to the $27m it had paid in 1986. When it returned the Nu-Swift shares, ADT forgave $48m of debt in a deal that implied the value of the shares had more than doubled.

Laidlaw claims that ADT had inflated the price which Sechura paid for the Attwoods and Nu-Swift stakes and that ADT did not disclose the material write-downs of the loan note to Sechura in 1988 and 1989.

Laidlaw said it was impossible to know how much ADT shareholders had suffered but that the court had to prevent further illegal actions.

In its complaint, Laidlaw also alleged that Mr Ashcroft never intended ADT's operations to be transparent and that when it invested in ADT from 1989 it had done so relying on false disclosures.

In a fax to Laidlaw this March 29, Mr Ashcroft offered to invite a Laidlaw representative to the ADT board and said his company was in an "advanced stage of discussion" regarding a full listing on the New York market which would require changes in reporting procedures.

Laidlaw dismissed these as "vague assertions". They did not help shareholders decide whether to approve important proposals concerning the share capital and dividend policy at a special board meeting that was adjourned at Laidlaw's request last Monday until June 3.

The New York court proceedings will focus the struggle for control at the top of Mr Ashcroft's tightly controlled group that has consistently failed to gain the confidence of more establishment institutions in the City.

Nor is Laidlaw likely to drop its case lightly. Since only last August, analysts say Laidlaw has recorded a paper loss of about $400m on its ADT investment, or nearly half the $892m book value at that time.

Michael Ashcroft: accused of concealing his actions

Norman Hay halved and gives warning on 1991

NORMAN HAY, the metals processing, coating and finishing group, finished 1990 with profits more than halved to £0.9m and is cutting the dividend.

Shareholders are warned that the planned reorganisation in engineering finishes will involve considerable costs and could affect profits.

In the absence of any significant improvement in the UK economy, group results will materially worsen this year and this will almost certainly continue into 1992, said Mr Anthony Hay, chairman.

His warning accompanied the preliminary statement, which showed turnover 22 per cent lower at £13.25m (£17.07m), and pre-tax profit down to £912,000 (£1.97m).

Earnings per share dropped to 4.04p (8.05p). To maintain the cover of recent years, the final dividend is cut to 0.64p for a total of 1.14p (2.26p).

Mr Hay said the decline in UK manufacturing affected both the decorative finishing market and the higher margin engineering finishes. During the last four months and the first quarter of 1991, the latter, particularly for defence, had dropped in volume.

US offer for Herrburger Brooks

Herrburger Brooks has agreed an offer from Kimball International, its US parent which controls 71 per cent of the equity, to acquire the rest of the capital at 220p cash per share.

The offer values the maker of piano actions, keyboards and hammers at about £2.9m. The shares yesterday added 15p to 210p.

Herrburger reported pre-tax profits of £104,331 (£52,658 loss) in the first half to November 30, but this was aided by foreign exchange gains and interest payments. The company has since made 97 employees redundant, with associated costs of about £230,000, which were not provided for at November 30.

Kimball, based in Indiana, makes a variety of consumer durable goods, including office and healthcare furniture and pianos.

The offer is subject to shareholder approval at a High Court meeting and an extraordinary general meeting.

UK COMPANY NEWS

An acquisition with the right chemistry

Deborah Hargreaves on the integration of Foseco within the Burmah Castrol group

WHEN BURMAH Castrol's bitter takeover battle for Foseco, the speciality chemicals and abrasives producer, ended last December the company began the really hard work; integrating the new company into its own structure and disposing of unwanted assets. This was against the background of the chemicals sector being stuck in one of its deepest downturns for many years.

"We had always suspected that the company had a very good business with a good position and market share, but that it was strategically mismanaged," explains Mr Lawrence Urquhart, chairman of Burmah Castrol. Mr Urquhart is now trying to inject a focus into Foseco's diffuse corporate strategy.

The strongest part of Foseco's business is its metallurgical chemicals division, which Burmah will keep intact with its own management structure within its chemicals arm. "It is a good business which has been diverted from its central purpose and we believe that, once released, it will generate substantial activity," Mr Urquhart said.

This part of Foseco's business, which serves the steel and metals foundry industry, has turnover of some £200m and an important market niche. Burmah aims to build on that niche by highlighting the specialist nature of Foseco's services and pushing it as an upmarket supplier.

The other main Foseco division – its construction and mining chemicals arm – has been merged with Burmah's similar business, Expandite.

The rest of the business, which includes an abrasives division, a diamond products group and one of the world's largest producers of lavatory seats, has been lumped together and is currently under review. This means it will probably be sold as soon as buyers can be lined up.

Foseco's earnings had been declining as the chemicals industry suffered from a downturn, but Burmah also reckons the previous management had not capitalised enough on the company's specialist position in many markets.

Profits had dropped by £6m in 1989 from £46.5m to £40.5m, but Burmah argued during the bid battle that after stripping out extraordinary items profits had dropped by £10m in that time.

Analysts expect Foseco's profits to have dropped even further for last year to about £36m. But Burmah Castrol believes that, by a combination of cost-cutting and aggressive marketing, Foseco's margins can be raised from about 6 per cent to 10 per cent in its main foundry operations. "The foundry industry is growing worldwide and its demand for highly technological products is increasing," Mr Urquhart said.

Foseco's strength is in its technological expertise, but the company has been extremely weak on marketing. Mr Urquhart stresses that Foseco has been more sales-oriented but has done little long-term marketing to position itself for growth over the next five years.

"There is a lot of scope for rationalisation and cost reduction at Foseco," says Mr Nick Clayton, an analyst at Smith New Court, the UK brokerage house, "one of the businesses dragging it down was the abrasives division that Burmah is looking to sell."

Lawrence Urquhart: Foseco's strength is in its technological expertise, but it has been extremely weak on marketing

But Mr Clayton is sceptical about Burmah's ability to produce in the chemicals sector. "The company has put a lot of money into chemicals in the last five years but has not come up with the goods."

The contribution of Burmah's chemicals division to trading profits has dropped from £15.6m in 1987 to £11.5m last year, out of total growth in that period from £139.4m to £183.4m.

This has partly been due to the cyclical downturn in chemicals, which is also a business that will help the group to gain more fully from an economic upturn.

Mr Urquhart denies any suggestion that he will inject the razzmatazz with which Castrol lubricants are marketed into Foseco, but believes Burmah can bring an important view to the chemicals business. "We're much keener on margin and profit while Foseco has concentrated on market share. We feel they haven't capitalised on the strength of their high quality market position."

In other words, Burmah will be looking to exploit Foseco's close position with its clients as a specialist supplier to charge more for its services and develop long-term relationships.

At the same time, the company has been starved of capital expenditure. "They were thrilled when we gave them £180,000 for a new electron microscope," admits Mr James Alexander, Burmah's corporate affairs director, "they put out a press release about it."

Burmah's own earnings will be diluted to a certain extent this year by the interest payments on the debt incurred for the £259m takeover, but Foseco should enhance earnings over the longer term. Mr Urquhart reckons that this year will be the toughest to predict that he can remember.

"When you're buying a can of worms in the present environment, expecting profits to hold is a prayer," says Mr Clayton.

Lec moves up to £0.9m as market share grows

By Clare Pearson

LEC REFRIGERATION, the Bognor Regis-based refrigerator manufacturer in which Italy's Candy Elettrodomestici has a 16 per cent stake, saw pre-tax profits edge higher by £21,600 to £907,000 in the year to end-December 1990.

The full-year dividend is maintained at 14.5p after an unchanged final payment of 10.5p.

Earnings per share were 9.89p (9.47p).

The company said that, in spite of the recession in the retail sector, it had increased market share during the year, enabling turnover to rise to £51.46m (£49.5m).

Lec ceased bulk manufacturing at its Calais factory last May, incurring closure costs of about £200,000.

Last year's result marked only a slight recovery from a sharp fall in profits in 1989, when pre-tax profits plummeted from £4.5m.

Mr Don Durrant, chairman, said Lec had recently introduced two new products for refrigeration in hospital wards and pharmacies.

It had also recently supplied small domestic freezers to new customers in Poland and Japan.

The sharp slide in 1989 profits coincided with consumer concerns about the environmental impact of the use of chlorofluorocarbons and the beginnings of the UK consumer squeeze.

Friendly Hotels rides recession with 19% gain to £6m

By Michiyo Nakamoto

FRIENDLY HOTELS, the hotel and nursing home operator, reported a 19 per cent rise to £6.01m in pre-tax profits for 1990 from a previous £5.04m.

The improvement came on higher turnover of £31.24m (£26.56m) which reflected resilience in the group's hotels, serviced offices and the New Connaught Rooms, the London banqueting complex.

The market welcomed the results and the shares rose 24p to 284p.

"We couldn't shrug off the effects of the recession entirely," commented Mr Michael Thompson, managing director. "The figures show that we've held our own relatively well."

The group's 17 hotels contributed 46 per cent to taxable profits while profits from its 16 serviced offices put in 36 per cent. The Connaught Rooms added another 14 per cent and two other businesses – the care homes and French Franks, a chain of sandwich bars – made up the remaining 4 per cent.

While the Gulf War and the recession had depressed the hotel industry in general, the group was not as vulnerable to their effects since its hotels are located mostly outside of London.

The care homes and French Franks businesses, however, were not as fortunate. Both were hurt by the increase in rates and higher rental levels in London.

After a two-year break from hotel acquisitions, the group said it was ready to resume takeover activity. Borrowings have been reduced to £7m after a recent sale and leaseback deal which raised £10.1m. A revaluation of hotels produced a surplus of £7.75m over book cost. The combined benefits have brought gearing down to 10 per cent from 22 per cent at the year-end.

A recommended final dividend of 3p makes a total of 5p (3.35p). Earnings per share rose to 25.3p (21.5p) on a fully diluted basis.

BOARD MEETINGS

TODAY

Interims- Bailey (Ben), Cooper (Frederick).

Finals- Abtrust New European, Associated Fisheries, Baird (William), Brammer, British Alcan Aluminium, Butler Cox, Costain, Elys (Wimbledon), Estates & General, Ibstock Johnsen, Ipeco, London & Manchester, New Ireland, Oliver, Scholl, T & S Stores, TT, Tilbury.

FUTURE DATES

Interims-

Compass	May 22
Magnetic Materials	Apr 8
New Frontiers Dev Trust	Apr. 25
Shandwick	Apr. 9

Finals-

Billam (J)	Apr. 11
Blue Circle Inds	Apr. 18
Downiebrae	Apr 26
Electric & General	June 28
F & C Pacific Inv Trust	Apr 12
Fitch-RS	Apr 11
Fortnum & Mason	Apr 8
Herring Son & Daw	Apr. 10
House of Lerose	Apr 10
Lamont	Apr. 11
Morgan Crucible	Apr 15
Newarthill	Apr. 16
Proudfoot (Alexander)	Apr. 10
Richards	Apr 9
Slingsby (HC)	Apr 26
Unborne	Apr. 26
Wace	Apr. 10

NEWS DIGEST

Magnolia edges ahead to £1.05m

AGAINST A background of further deterioration in the retail market in the second half, Magnolia Group raised pre-tax profits marginally from £1m to £1.05m in 1990. Management restructuring meant profits this time were struck after an exceptional charge of £106,000.

Turnover of the group, which has interests in wooden and plastic products and publishing, rose by 7 per cent to £23.49m (£21.91m). Earnings per share edged ahead from 10.91p to 11.16p and the final dividend is held at 3.65p for an unchanged total of 5.4p.

Mr Kurt Scharf, chairman, said that trading in the early part of 1991 had been affected by the Gulf War, adverse weather conditions in February and the deepening UK recession.

However, recent weeks had shown an improvement and although this year was likely to be difficult, he felt confident Magnolia would perform well in its market sector.

Air London up 41% in spite of Gulf war

Mr Anthony Mack, chairman and managing director of Air London International, the USM-quoted charter broker, said that "the crisis in the Gulf has had both good and bad effect on the company's performance" in the six months to January 31.

He said that adverse effects on the flow of civil air traffic were compensated by Air London's involvement in the transportation of personnel and equipment connected with the conflict. However, taxable profits rose 41 per cent to £611,000 (£433,000) on turnover up 50 per cent to £8.6m (£5.7m).

Earnings were ahead 29 per cent at 4.47p (3.45p) and the interim dividend is lifted to 1.4p (1.1p).

Net asset value setback for Burford

Burford Holdings, the property investment and trading group, lifted taxable profits for 1990 by 16 per cent from £2.29m to £2.65m.

However, net asset value, after revaluation of trading properties, dipped 12 per cent to 49.8p per share.

Following receipt of the monies from the sale in March of Henrietta House in London, the group has nil gearing. "We now have substantial cash resources available for investment" said Mr Nigel Wray, chairman.

Turnover fell to £9.37m (£20.11m). Earnings per share emerged at 1.5p (1.1p) and a proposed final dividend of 0.45p lifts the total for the year from 0.65p to 0.85p.

Molynx advances 17% to £1.69m

Molynx Holdings lifted pre-tax profit by 17 per cent in 1990 and said trading in the current year had been brisk.

The group, a supplier of closed circuit television and security and maker of computerised building and energy management systems, increased turnover by 36 per cent to £15.58m (£11.5m) and profit to £1.69m (£1.46m).

Earnings on higher capital slipped to 12.5p (13p) and the dividend is raised to 3.75p (3.2p) with a final of 2.5p.

Mr Eric Walters, chairman, said in the year six acquisitions were made; all were in niche markets and proving successful.

He said the last quarter of the year was poor. However, the opening three months of 1991 "started with more vitality in trading . . . we should be able to report further progress when we announce our first half results".

Bank facilities total some £4m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.04.91: Pool purchase price £/MWh	Final Prices for Trading on 07.03.91: Pool purchase price £/MWh	Final Prices for Trading on 07.03.91: Pool selling price £/MWh
0030	15.88	15.93	15.93
0100	15.79	17.07	17.07
0130	16.90	18.72	20.33
0200	17.74	18.72	20.33
0230	17.94	17.59	19.18
0300	17.94	15.93	15.93
0330	16.55	15.42	15.42
0400	16.35	15.21	15.21
0430	16.27	14.82	14.82
0500	16.26	14.58	14.58
0530	16.26	15.02	15.02
0600	16.26	15.17	15.17
0630	16.60	15.78	15.78
0700	17.06	18.21	19.84
0730	19.43	18.61	20.27
0800	23.36	19.24	20.91
0830	25.96	19.70	21.38
0900	25.96	20.32	22.01
0930	24.71	24.23	26.04
1000	24.71	24.23	26.03
1030	24.71	24.23	26.03
1100	24.16	24.23	26.04
1130	24.16	20.82	22.51
1200	24.16	20.82	22.52
1230	24.16	20.82	22.52
1300	24.16	20.32	22.01
1330	24.16	19.48	21.14
1400	21.40	19.48	21.15
1430	26.00	19.48	21.16
1500	26.00	19.48	21.16
1530	26.86	19.48	21.16
1600	25.27	19.48	21.16
1630	25.27	19.48	21.13
1700	25.27	19.48	21.10
1730	25.27	20.86	22.54
1800	23.40	20.86	22.54
1830	18.16	27.13	28.93
1900	18.16	27.13	28.91
1930	18.16	27.13	28.92
2000	24.04	27.13	28.95
2030	24.04	24.37	26.08
2100	24.04	19.97	21.83
2130	24.04	18.83	20.46
2200	21.11	18.83	20.46
2230	19.18	16.87	18.45
2300	18.70	15.76	15.76
2330	16.55	15.09	15.09
2400	16.27	14.86	14.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

FINANCIAL TIMES SURVEY

FACTORING

Why Michael and David can spend more time playing squash: Page 4

The contrasting fortunes of factors in Italy, US and Germany: Page 5

Thursday April 4 1991

In many countries, factoring is growing in popularity as businesses seek to ensure the fastest possible cash flow. But it is highly sensitive to local economic trends and factoring firms in the UK have felt the full force of recession, writes **Charles Batchelor**

Big and still growing

THE factoring industry has taken the full force of the UK recession as the small and medium-sized companies which make up the bulk of its clients attempt to weather the storm. The rapid expansion of the second half of the 1980s has slowed – but not stopped – as some of the newer entrants to the industry pause to reassess their prospects.

But for all the problems which confront factoring in the UK, on the world stage the industry has been growing at a rapid pace. Worldwide, factoring companies did $244bn worth of business in 1990, a 29 per cent leap on 1989, according to Factors Chain International, a network of factors in 35 countries. Mature factoring markets such as Italy, Sweden and Germany continued to expand at a rapid rate.

"Factoring is not a peripheral business any more," says Mr David Storey, managing director of Barclays Commercial Services. "It is big money. It is starting to cover all the rungs of the corporate ladder and is no longer just for the smaller company."

In the UK, though, the pace has slowed. Industry statistics compiled by the Association of British Factors and Discounters (ABFD), representing 12 of the largest companies in the business, showed a 15 per cent rise in the turnover of companies serviced by its members to £13.8bn last year. In 1989, turnover rose 24 per cent.

The much smaller companies which make up the Association of Invoice Factors (AIF) fared better. The 10 members of the AIF reported a 47 per cent rise in their business volume to £220m last year but this had little impact on the overall level of activity in the industry.

Most telling, though, was the rise in bad debts which ABFD members absorbed on behalf of their clients. This figure rose to £11.1m compared with just £4.95m in 1989, denting factoring profits. The number of bad debts which had to be absorbed rose 77 per cent to 5,760.

The outlook for the immediate future is subdued, according to a number of leading factors, though they are optimistic in the medium term. "It will be difficult for the next six months but by the end of the year I have hopes of an upturn," says Mr Leslie Bland, chairman of the ABFD and managing director of Century Factors.

"As base rates come down companies will start looking for money to expand. The banks' recent loan experience is likely to make them reluctant to push money out so companies will turn to the factors. Our money is available automatically as a company's sales rise."

Factoring's attraction to businesses is that it gets round the problem they frequently face when trying to raise more bank finance. Once a bank manager has lent up to what he considers is a prudent level, against the assets which the businessman can provide as security, he can usually go no further. Even if the businessman has firm orders he needs to finance the bank is unlikely to be able to help.

Factoring squares the circle by using the company's unpaid invoices as its security and providing cash against the invoices. Most factors will pay up to 80 per cent of the value of invoices immediately, with the remainder, minus their fee and interest charges, following when their client's customer settles or an agreed period of time has elapsed.

Full service factoring involves the factor taking over the administration of his client's sales ledger, making sure that customers pay on time and chasing up slow payers. The factor can also assess the credit risk of dealing with a particular customer and insure his client against bad debts. It is because the factor is so closely involved in every aspect of his client's sales ledger that he can afford to make such a large cash advance against invoices.

But the economic downturn has meant the factors have had to be more cautious in vetting new clients. "We are becoming more careful in assessing people," comments Mr Philip Black, managing director of De Lage Landen, a UK subsidiary of the Dutch Rabobank.

"Our rejection rate is higher," explains Century's Mr Bland. "A lot of people come to us too late. If they had come three months earlier we might have been able to help." The factors are anxious that they do not once again gain a reputation for helping businesses which are on the verge of failing.

In the early days of factoring in the UK the industry backed too many unsound businesses and got a name for being "a lender of last resort". This has meant that many businessmen are unwilling to consider using a factor for fear of sending the wrong signals to their customers. The factors complain that this image is outdated but even the presence of many large bank-owned factoring companies has not completely dispelled this negative perception.

The persistence of this view of the factoring industry is one reason for the rapid growth of confidential invoice discounting over the past two to three years. Invoice discounting dispenses with the service side of factoring – the sales ledger management and credit assessment – and concentrates solely on providing cash against invoices. Since the client continues to handle his own sales ledger his customers are not aware that a factor or invoice discounter is involved at all.

Confidential invoice discounting, however, holds extra dangers for the factor. Since he is not in day-to-day charge of his client's sales ledger there is a greater risk of maladministration or even of fraud. Some factors have been switching invoice discounting clients over to full service factoring in recent months so that the factor has a closer view of what is going on.

"The problems have occurred mainly with confidential invoice discounting," says Barclays' Mr Storey. "But those lessons have been learned and people are now more keen to write full factoring business."

Many factors report a growing incidence of fraud as their clients' cash flow comes under pressure. Some businesses are tempted to send invoices to their factor before the goods involved have been shipped; some create completely bogus or "fresh air" invoices to generate more cash while others hang on to payments from customers which rightly should be passed on to the factor.

In the view of a number of the more established factors some of the recent industry entrants which specialised in invoice discounting have been reducing the scale of their activities because of these problems and because of lower than expected profits. "Some companies which came in two or three years ago are looking to see if they should continue," says Mr Storey. "They drove down margins, ran up high overheads and picked up losses on the way through. There is a bit of a shake-out going on."

Ironically, however, a number of important changes in the industry have been brought about not by problems with factoring but by upheavals in the parent companies of some of the factors.

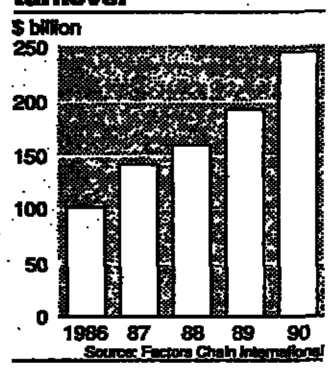
Security Pacific Business Finance, the UK factoring arm of the US banking group, is expected to change hands shortly as a result of the parent bank's decision to concentrate on its core US banking market. Negotiations with a potential buyer are far advanced, according to Mr Jeff Longhurst, sales and marketing director. Meanwhile, Berisford Factors has been acquired by Bibby Factors after Berisford International, the food and commodities group, decided to reduce its involvement in financial services.

Despite the present difficulties the factoring sector seems set to remain attractive to new entrants, provided they keep tight control of costs and avoid the frauds.

The continuing public debate on the subject of late debt payments, and their impact on the health of British industry, has focused attention on the need for a service of the sort provided by the factors.

The untapped potential is huge. A recent Confederation of British Industry survey of the late payment issue revealed that just 2 per cent of respondents had made use of a factor. The marketing and the image of the factoring industry have improved markedly in recent years but there is still a long way to go.

Worldwide factoring turnover



Source: Factors Chain International

IN THIS SURVEY

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ITALY: boom slows down in the world's busiest factoring market

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Illustration: *David Bromley*
Cartoons: *Roger Beale*

BUOYANCY IN THE UK

More players join the game

FACTORING remains an attractive market for both existing players and new entrants despite the economic pressures of the past 12 months.

A number of the established factors have ambitious plans for growth while financial groups in related areas such as leasing and stock finance are expanding into factoring and invoice discounting.

One such company is ITT Commercial Finance, a well-established player in the US in the areas of stock finance and invoice discounting. It plans later this month to launch its services in Europe from a base in the UK.

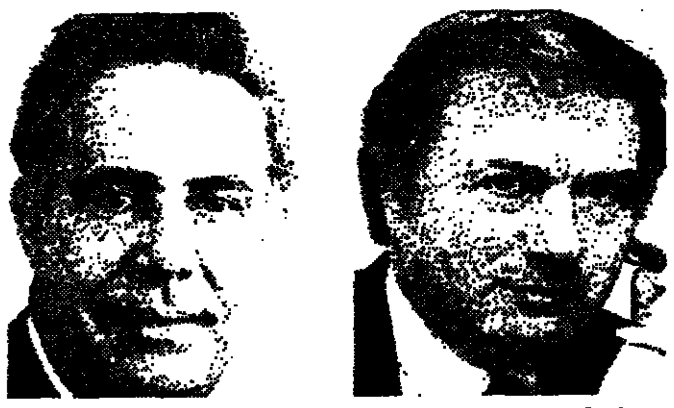
In recent years, the UK factoring industry has evolved into four main streams. The biggest stream is the large, bank-owned factoring companies which account for nearly 90 per cent of industry turnover. These companies make up the bulk of the membership of the Association of British Factors and Discounters.

The bank-owned companies face tough competition from smaller players intent on exploiting niche markets and from companies both large and small which offer factoring or invoice discounting alongside another financial service such as venture capital, leasing or stock lending. Finally, there is the group of small, mainly privately owned factoring companies which belong to the Association of Invoice Factors.

These four groups all hope to exploit their own particular strengths to maintain and expand their market share

● The bank-owned companies see their strength as their branch networks which can provide referrals when factoring seems an appropriate option. The banks also believe their financial muscle and their ability to invest in the latest technology will mean they can provide a high quality, low-cost service.

"If the clearing bank provides a good factoring service why should a client look beyond his bank?" asks Mr David Storey, managing director of Barclays Commercial Services. "How can the independents keep up with the banks on technology? We don't have Chinese walls in the bank – the bank manager and the factor talk to each other – and that is to the client's benefit."



ABFD chairman Leslie Bland (left) and Philip Black of De Lage Landen: diversity will be the key to the industry's vitality

Following a four-year gap in the mid-1980s when it pulled out of factoring Barclays has gone aggressively for growth since it bought back into the industry in 1987. Barclays Commercial Services grew by 52 per cent last year compared with the industry average of 15 per cent and is back in the first division, Mr Storey claims.

● The niche players believe there is good business to be done in areas which have been overlooked by the larger factoring groups. De Lage Landen, owned by Rabobank of the Netherlands, is exploiting its international network of associate companies to help clients exporting or expanding overseas. "We aim more at the international than the domestic market," explains Mr Philip Black, managing director.

"We could not compete with the clearing bank-owned factors which have huge branch networks but we can help, for example, a British company setting up a sales office in Germany. The German banks might be reluctant to finance a subsidiary with few assets of its own. By factoring its sales in Germany the UK company would avoid tying up too much capital in the venture."

● The companies which provide a mix of financial services are seeking either to add an extra ingredient to their basic factoring service or to make their core financial service more attractive by adding a factoring option.

Venture Factors, owned by the United Bank of Kuwait, set out in 1989 to provide a mix of development capital with factoring and invoice discounting. It has made equity available in only a handful of deals but has found greater demand for its loans. It has made about £1.5m of loan capital available alongside invoice discounting advances of £20m. Loans are usually made available for specific projects or when a company, such as newly-established management buy-out, has yet to establish enough sales to rely solely on cash against invoices, says Mr John Peters, sales director.

Hill Samuel Commercial Finance tops up its basic invoice discounting package with lending secured against other assets such as stock and plant and machinery in what it calls "packaged lending". Loans account for £7m of finance provided by Hill Samuel compared with £83m worth of cash advances against invoices.

"This is not bank-style lending made on the basis of an annual review," explains Mr Ted Ettershank, managing director.

"The finance available goes up and down with the value of the asset and we monitor the assets on a monthly or quarterly basis."

For ITT Commercial Finance invoice discounting forms part of a broad package of financial services available to business. ITT provides more than $10bn worth of funding annually in the US and hopes to achieve £100m worth of business in sectors such as computers, motor cycles and caravans from its UK office in its first year. Mr Roger Taylor, director of business development, expects stock finance to account for 80 per cent with the remainder made up by invoice discounting.

● The smaller, privately-owned factors see their strength in being able to provide a more personal service to their customers than the large bank-owned groups. "When the owner of a small business phones up his factor he wants to talk to the top man and not to a clerk," says John Connell, chairman of the Association of Invoice Factors and managing director of Bibby Factors. "The big factors are becoming just like the banks."

Smaller firms think they are closer to their clients' problems

The smaller AIF-member companies believe that, as owner-managed businesses, they are closer to the problems of their clients. A drawback, though, is that growth is restrained by their own limited access to capital.

While some newcomers to factoring and some of the larger groups have aggressively expanded their invoice discounting business over the past year or so, AIF companies have concentrated on less risky full-service factoring.

Bibby, part of the privately-owned Liverpool shipping group, recently acquired Berisford Factors from Berisford International, the food and commodities group which was seeking to reduce its involvement in financial services. Bibby had been planning to establish its own office in the south but the acquisition of the Hertfordshire-based Berisford gave it a ready-made southern base. Combined turnover of the two companies, which will run as separate operations, is nearly £75m.

Berisford is not the only company to change hands because of decisions taken by its parent company. Security Pacific Business Finance is up for sale following a decision by its parent company to concentrate on its US banking.

SecPac expects to complete the sale very shortly. Meanwhile, the long-term ownership of Chancery Factors is uncertain after Chancery plc, its parent company, was forced into administration by problems in the property market.

Despite the dominance of the large bank-owned companies the factoring industry continues to show a diversity of ownership. It is important that this variety be preserved to maintain the vitality of the industry and to provide choice for its customers.

Charles Batchelor

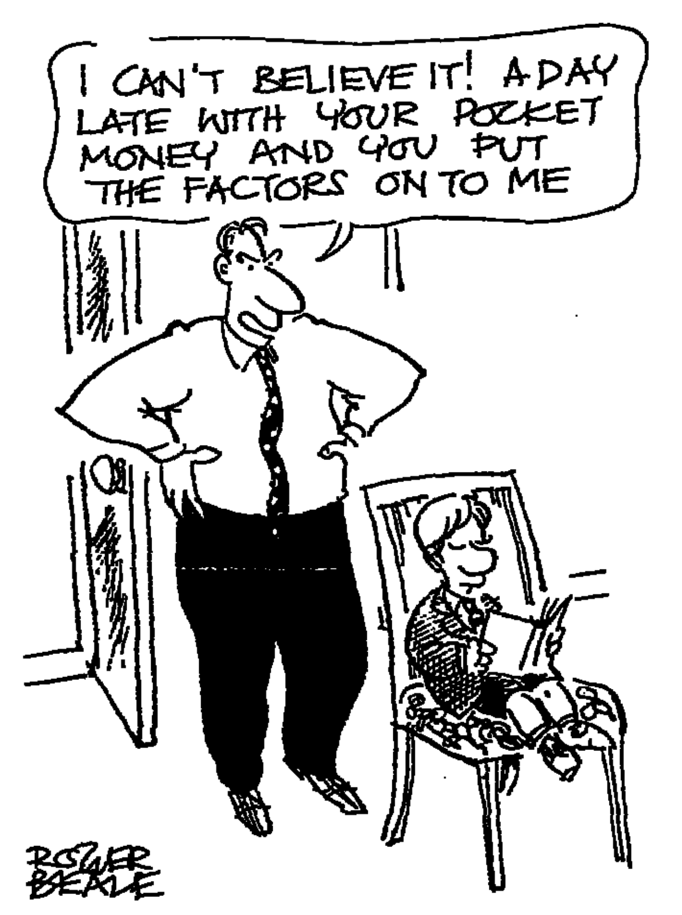
Charles Batchelor outlines the functions of the factor

Faster finance for business

FEW financial sectors have had to struggle quite as hard as factoring to make their mark on the business community. The suspicion in the mind of many businessmen that the factor was the lender of last resort has delayed his acceptance as a legitimate form of finance. This preconception has obscured a very simple method of financing business.

What a factor does is to take over the administration of a company's sales ledger – including the chasing and collecting of debts – and advance money against the value of the company's invoices. Most factors will provide up to 80 per cent of the value of invoices as soon as they have been issued. The remaining 20 per cent – minus the factor's fee – will be paid either when the customer settles or when an agreed period of time has lapsed.

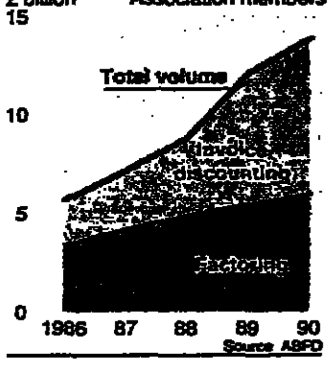
Involvement in businesses gives a clear over-view



As an additional service – and an increasingly important one in the current business climate – factors will carry out credit assessments of their clients' customers and arrange credit insurance cover if requested.

The reason why the factor is able to make such sizeable advances against his clients' invoices is his involvement in running his clients' sales ledger. This gives him a clear overview of the state of his client's business and the extent of his exposure to any particular customer. The bank manager, who may only see his customers' management accounts on a monthly basis, can afford to be far less generous in lending against his sales ledger.

UK turnover



Full service factoring, as the complete service is usually known, allows a company to grow in line with its order book. Contrast this with a company which depends on bank loans for much of its working capital. Such companies often find that their bank manager will not advance funds to finance incoming orders because he is up against the limits of the security he has taken out on the business's assets.

By handing the administration of its sales ledger over to the factor a business can save management time and the payroll and administrative costs of running the ledger and chasing up payments.

Because money becomes available as orders are invoiced a company has a much better, and more predictable, cash flow. It should be able to take on larger orders without fear of using up its working capital and be able to take advantage of cash discounts and bulk deals when buying in raw materials.

Companies normally need a turnover of £75,000 to be eligible for the full factoring service though some factors set higher thresholds. One or two factors have special schemes for smaller businesses while factors can also be persuaded to back a newly-established business if they are convinced that it will grow rapidly.

But size is not the only criterion. Factors like businesses which deal on normal trade terms with other trade customers. They do not like sectors such as the construction industry, where staged payments are the norm, or retail businesses selling directly to the general public.

To be eligible for factoring, companies must also have a spread of customers so that no single debtor is responsible for more than 25 to 40 per cent of the supplier's outstanding debt. Since it is expensive to administer large numbers of very small invoices, factors often stipulate a minimum average invoice size of £100 or more.

But not all companies require the factor to manage their sales ledger. Many established businesses have efficient systems in place already. Companies which are interested only in the cash advances may turn to a specialist invoice discounter or to the invoice discounting service of a factor. Invoice discounting is cheaper than full service factoring because the factor does not administer his client's sales ledger.

However, because the factor or invoice discounter is not closely involved in his client's financial affairs he will only offer invoice discounting to larger, well established companies whose sales ledger systems meet his standards. Factors may require invoice discounting clients to have a turnover of £500,000 or more.

One must normally disclose that a factor is being used

Companies may opt for recourse or non-recourse factoring. Recourse factoring involves the client taking responsibility for bad debts – the factor has recourse to his client. This arrangement is best suited for businesses which already have taken out credit insurance or which deal with a wide spread of small customers, none of which would seriously damage the supplier if the debt were not paid. In a non-recourse arrangement the factor normally provides credit cover and bears the burden of any bad debts.

Factoring arrangements normally require the client to disclose that he is using a factor and to arrange for customers to make payments directly to the factor.

Invoice discounting, however, can take place on either disclosed or a confidential basis. The stigma that still attaches to factoring in the eyes of some businessmen means they may not want customers to know they are using a factor.

The cost of factoring depends on the type of service used. A full factoring arrangement could cost between 0.75 and 3 per cent of the turnover involved, while invoice discounting could cost anything from 0.1 to 1 per cent. Mention of these rates frequently puts low margin businesses off factoring altogether. But the factors argue they can often save a company money when it adds up the cost of administering its sales ledger, and of allowing for delayed payments and bad debt.

If the client takes cash in advance against his invoices (some companies do not take the money but simply use the factor to administer their invoices) he will pay interest on the money advanced in addition to the service charge. The cost will be similar to rate charged for a standard bank loan. The point about factoring, though, is that the money would not have been available as a bank loan because the company would not have been able to provide the necessary security.

There are variations in service quality as well as in price

In choosing a factor managers should compare offers from two or three, eliminating any who do not make a thorough investigation of their prospective client's business. They should establish what volume of invoices the factor is prepared to approve, since factors will not take on existing overdue debts or unduly large debts owing from a single big customer.

Finally, the factors urge, they should be judged not just on price but on the quality of the service offered.

FACTORING 3

Computers are used widely — but with considerable caution

Double-edged electronics

THE factoring industry is ideally suited to the use of computerised systems. The factors handle hundreds or thousands of their clients' invoices daily and need to match transactions done against the credit limits they have set.

Computers are in widespread use, for in-house purposes, for liaising with clients and for handling clients' international transactions. However, the potential for fraud and uncertainty in the minds of some factors about the legal status of electronic transactions prompted some in the industry to a act with caution

Lombard NatWest Commercial Services appears to be the furthest advanced with Factornet, an electronic data interchange (EDI) system introduced in January 1990. Most of the other factors keep in touch with their clients through the Viewdata system. The advantage of EDI is that it speeds up the transmission of information and cuts the cost of communications because data is stored in the client's own computer as well as by the factor.

But Lombard NatWest's older FacFlow system, introduced in 1985, and other non-EDI systems such as International Factor's Factel already allow the inputting of invoices and other documents. The cost and time savings provided by EDI are not inconsiderable but at present the factoring industry appears to regard EDI as an entry ticket to the electronic networks which are expected to develop between larger companies and their suppliers rather than a major advance in purely factoring terms.

If large corporations start demanding that their suppliers provide invoices in electronic form then the factors need to be able to plug into these networks if they are to continue a high-quality service.

But existing communication systems already provide quite sophisticated services. International Factors' Factel allows clients to interrogate as many as 40 different screens. They can establish what cheques have been paid into their account by customers, the 10 largest invoices which have been disputed by customers and which customers, if any, are approaching the limits of bad debt protection provided by the factor.

Another screen allows clients to see which customers are buying less than they did three months previously. This information may suggest where to redirect his marketing effort.

International Factors receives 25,000 screen requests in a typical week, says Mr David Richardson, marketing manager. The most frequently requested page category in one recent week was the one detailing the state of individual customer accounts (2,300 requests) followed by pages showing the availability of funds to the client (724 requests).

One advantage of good communications links between factor and client is that they remove or at least reduce the client's fear that he has lost control over his own sales ledger. Because of the cost of providing this service, though, factors tend to make it available only to their larger clients. Many of the smaller ones may prefer to deal directly with the factor's staff by telephone rather than a computer screen.

Improved communications is of particular value when handling international transactions. Factors Chain International, one of the large international factoring networks, uses a communications system based on a mainframe computer and satellites operated by General Electric Information Services Company (GEISCO). This system, known as FACT, allows factors to transmit standard documents such as invoices, credit notes and payment advices electronically and provides an automatic update of individual factors' accounting records and client accounts.

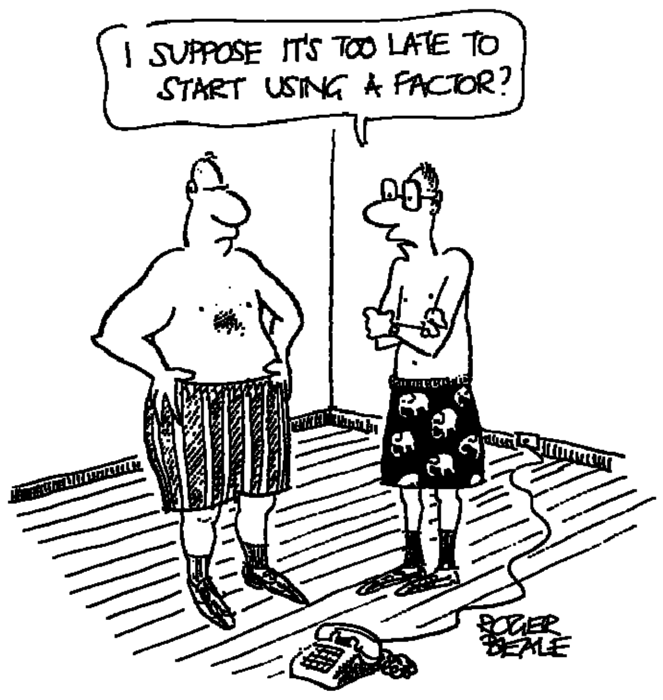
One feature of the FACT system is what is called a "netting facility" which allows participants to set receipts and payments due against each other in a single currency. By reducing the amounts of money which have to be transferred the system reduces bank transfer charges and interest costs.

The large bank-owned factors in the UK have their own in-house teams of software writers and programmers and have designed their own customised factoring systems. But many of the smaller companies use software designed by Hill Price Davison, a small software company in Putney, west London.

Price Davison supplied its first accounts receivable system to a factor in the early 1980s and subsequently went on to write a factoring package which is in use with 10 UK factors and another 10 overseas. Factoring packages now account for more than half the company's £2m turnover.

One important development in the factoring software field is an increase in demand for on-line services, says Mr Tony Davison, managing director. Some factors at present require their clients to wait overnight for a response to queries, which means that a telephone call remains the quickest way to get an answer.

Even those factors which allow their clients to input invoices and credit notes through a computer remain cautious of the dangers of fast-moving electronic systems. All insist that paper invoices are sent to back up the electronic messages. "The main issue is one of the admissibility of an electronic invoice in court," says the technology manager of one of the factors. "A judge might ask where was the signature or the company logo to back up the electronic invoice."



But the exact status of an electronic invoice is unclear. The Article Number Association (UK), which provides advice on bar coding and related issues, says there is no difficulty in providing unique code numbers to invoices which would indicate who they come from and to whom they have been assigned. The factors seem less convinced.

Moving on to the next stage, the use of an EDI system to allow the factor to make payments to his clients still seems some way off. "Before we can allow the dispatch of invoices and credit notes to lead to the automatic transfer of funds to our clients our audit controls have to be very robust," says one technology manager.

"The prospect of accepting fraudulent invoices and making an electronic payment all on the same day is our *nightmare scenario*."

If these legal and technical issues can be solved there is undoubtedly scope for further considerable cost savings and improvements in the quality of service offered by the factoring industry. "At present we are only scratching the surface," says Mr Davison.

Charles Batchelor

How Alice Griffiths' team keeps the cash flowing to Richmond

The polite persuaders

ALICE GRIFFITHS, senior controller at Hill Samuel Commercial Finance, calculates that it will take her another three weeks to resolve the worst of the disputes between her client and his customers.

This is on top of the two weeks she has already spent trying to sort out the problems which have led to customers delaying payments and to the cash flow difficulties of her client. Disputes can arise when customers reject a delivery which does not meet their specification or disagree over prices, discounts or terms.

"You can see companies completely turned round when the disputes have been sorted out," she says. "When a company is in trouble you get an increase in the number of disputes and the problems tend to get left to be sorted out later." Griffiths is in charge of a three-woman team based at Hill Samuel's Richmond, Surrey headquarters. The collections department has the job of making sure that clients' bills are paid on time and that slow payers are chased politely but firmly until they do settle.

Details of Hill Samuel's clients' financial affairs are contained on database and called up on screen. The different screen pages shows levels of clients' sales, the amounts of money drawn down from the factor, the average number of days it takes to get paid and numbers of invoices and credit notes which have been issued.

Factors swap lists of companies involved in litigation

Most of Hill Samuel Commercial Finance's clients take its invoice discounting service — they draw down cash against their invoices but retain control of their own sales ledgers — so they have no need of the talents of Griffiths and her team. But 15 of the company's 160 clients do take its full factoring service whereby Hill Samuel takes over the management of their sales ledgers. Some of these factoring clients will graduate to the company's invoice discounting service when they are larger and better established, explains Ted Ettershank, managing director. But a small number have been transferred to factoring from invoice discounting because they have run into difficulties managing their own invoices.

The company to which Griffiths is now devoting most of her time is in the latter category. It has had problems with its sales ledger.

Griffiths is working her way through a list of 260 unpaid invoices. Not all of them are disputed but for one reason or another the client has not been paid on time.

One payment of more than £2,400 is 95 days overdue — that is, 95 days over the 30-day term agreed. Griffiths calls up the details of the invoice on her video terminal and puts through a call to the bought ledger department of her client's slow-paying customer. Griffith's records list the two owners as Mike and Dave. They are both out "on site" at the moment so she says she will call again at 3pm.

Her next call is to a company which seems unable to track down the person with the authority to sign a cheque. Two previous calls have failed to find the elusive director. "Dawn, this is Alice from Hill Samuel. Did you get the cheque agreed?" she asks. No, the cheque has not yet been signed. Griffiths asks for the name of the director who can sign. If Dawn does not call back by 3pm to say that the cheque has been sent Griffiths will call the director himself.

Griffiths is sure that the company has cash problems and is stalling deliberately. The factors exchange lists of companies with which they are involved in litigation over unpaid bills and this company has appeared on the list of another factoring company.

Griffiths has been doing this job for five years. Sometimes it can be difficult. The wife of one businessman broke down in tears on the phone while her two-day old baby screamed in the background. But you do toughen up and can see through the patently untrue tales which some customers tell to avoid making payment, she says.

The style adopted by the largely female teams of collectors at Hill Samuel and at the other factoring companies is one of polite persistence. The collectors assume a first name familiarity with the more junior staff with whom they talk on the phone.

If only the boss would pay up on time the switchboard girls and the secretaries would not be bothered at all, is the unspoken message. "You have got to be firm without getting cross," Griffiths explains. "You have to say clearly what you are looking for and why you are calling. But you have to remember that the people you are talking to are your client's customers."

Alice Griffiths: diplomatic

If this does not work tougher measures may be called for. Griffiths has been through the list of unpaid invoices with the client's company secretary and they have decided which customers will be sent a solicitor's letter if they have not paid by that afternoon.

"Some of these companies are just taking our client for a ride," says Griffiths. "We get a 75 per cent success rate from solicitor's letters and they cost only £5 each. The solicitor has a London address and that seems to be more effective than a Richmond one."

Although this particular client has got into difficulties, in the main companies have become far more aware over the past 18 months of the need to check the credit references of new customers. "We get a lot of calls from people checking references for sales as small as £500," says Griffiths.

For invoice discounting clients, who are running their own sales ledger, Hill Samuel has to adopt a different method of checking that all is well. Since an invoice discounter does not see its clients' invoices on a daily basis there is a greater danger that controls will become lax or even that fraud may be committed.

It is one of the tasks of John Jenkins, audit manager, and his four-person team, to stage regular six-monthly visits to invoice discounting clients to check that their sales ledger systems are operating properly. "We give people a week to 10 days' notice. We don't give them too much time though."

Jenkins wants to see that invoices relate to genuine transactions; that customers do actually exist and that the client's debtor days - the average time it takes to collect its money - are not increasing.

Many managers are realising that targets will not be met

Many managers are for the first time facing the prospect that sales and profits targets will not be met and that lines on graphs will not continue their upward course. "We ask them what they will do if they don't make their sales target," says Jenkins. "Could they cut spending on company cars, electricity bills or make people redundant? Some managers have difficulty accepting this message."

Charles Batchelor

Elisabeth Tacey visits a Midlands building components company with a soft spot for factors

A helping hand over the financial fence

COME hell or high water, the staff of Alpha Rail in Kirkby-in-Ashfield, Nottingham, know that between 4pm and 5pm every Wednesday afternoon they will not be able to get any work out of their two directors, Michael Page and David Moores. The bosses will be doing another sort of work – on the squash court.

The two men have set aside that hour to free themselves of the stresses of running their own company, having built their turnover to about £2.5m since the metal fence maker was set up in 1985.

They have had their fair share – or perhaps more – of stress. Mr Page describes how the company was formed on a £30,000 bank overdraft by three directors made redundant from another Midlands engineering company, who had to put up their houses as security. "We had nothing when we started up," he says, and the overdraft had to fund all their expenses – the rent on the small premises they leased from the council, purchase of the machines and steel to make the fences, salaries, everything.

In their first year, they made a £14,000 loss on turnover of £500,000, and the bank wanted to reduce the overdraft when they wanted to extend it. The third director left, "the council wanted us out of the factory because of the noise, the property market was booming and the only way we could get anywhere else was by buying a company from the receivers," says Mr Page. The figures of the company they bought "were not as good as we'd thought," he says. But the purchase got them some of the machinery they use now, the factory and their current Portakabin offices.

It was a difficult first year, says Mr Moores. Their main customers were local authorities, and it was "never easy" to make appointments – just the ringing up could lead to lots of transfers of the call and not finding the person dealing with the fencing for a site, he says.

Then, he says, "we got an appetite to get more into the decorative fencing side of life, and grasped the importance of landscape architects. They were such a willing audience – we've never yet been turned down for a visit." With more environmental concern leading to greater attention being paid to the design of a whole site, refurbishment of blocks of flats and new developments, it was a growing profession and "a hell of a growth market," he says – "we've never looked back".

But the overdraft problem was difficult. The company needed more turnover and its clients – typically local authorities – were "blue chip customers", says Mr Page. But the directors' request for an overdraft increase to £50,000 was met with a demand from the bank that it be cut to about £20,000. Mr Page says that was "hopeless – you couldn't run a chip shop on that".

Alpha Rail's accountant suggested that they try H&H Factors – now Trade Indemnity-Heller Commercial Finance, TIH – to borrow from the factor against the company's outstanding invoices. Mr Page and Mr Moores were sceptical. "There was a stigma about factoring in those days – you were in trouble if you were factoring," says Mr Page. But they had little choice.

They were surprised by the ease of factoring. "It's uncommonly straightforward," says Mr Page. "It was almost a full-time occupation supplying banks with figures – they wanted *two-monthly* accounts, which for a small company is a big job." With the factor, Alpha sends a copy of every invoice issued and 75 per cent of the invoice's value becomes available for borrowing, up to a limit in the "pot" of £150,000. The other 25 per cent is paid when the debt is paid. When Alpha requests some of the pot's contents, the factor sends a cheque to Alpha's account and the company can draw on it by writing cheques the same day.

The factor wants a statement copy every month, and runs an age analysis on the invoices; when a debt becomes more than 90 days overdue it is invalid for a loan from the factor. Alpha chases the debts, on the premise that the relationship with the client could be soured if the client received an impersonal letter from the factor demanding payment.

Mr Page reckons that "they point you *in the direction that* makes you get the cash in. And they don't like you to be working over 25 per cent with one company. That's solid business sense."

Alpha pays 1 percentage point less than the bank's interest rate on the loan, and ½ per cent of each debt as a factoring charge. Though the cost works out at a little more than having the overdraft from the bank, Mr Page reckons it is *worth it for the reduction of* hassle and worry, particularly in not having to risk losing his house. Mr Moores agrees: "For the first year you have your houses on the line and worry like hell."

Now the company makes decorative metal fencing and gates to "felt-tip" designs sent by landscape architects, as well as other "steel street furniture" such as seats, bollards and pedestrian guard rails. It typically supplies children's *playgrounds, ball-playing* areas, supermarkets and flat refurbishments.

The company agonised over taking a £480,000 order from Olympia & York for Canary Wharf in London's docklands, but decided to make a "respectful withdrawal" on the grounds that it would have been too dependent on one client. "You're only one bad debt away from going bust," says Mr Moores, who nevertheless classed the O&Y job as a blue-chip debt. Usually a £50,000 order, which is made every six months or so, is a "break out the bottles order", he says.

Alpha has just set up a 50:50 joint venture with Orsogril, an Italian decorative rail maker, to market Orsogril's brightly coloured railings in the south-east. The venture is called Alphagril, and both men are enthusiastic about its potential: "We saw it as a string to our bow but I think it'll be another bow," says Mr Moores.

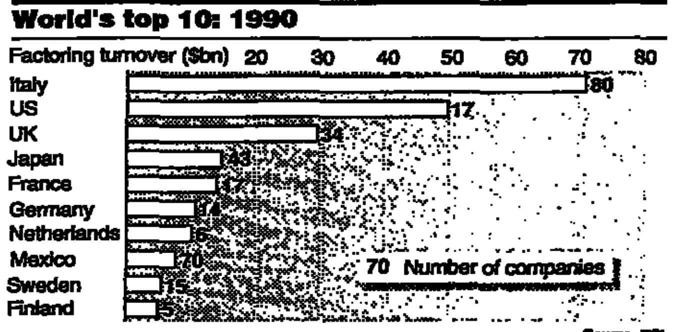
As Alpha deals more with builders or civil engineering contractors, it is looking into providing a wider service by installing its fencing as well as supplying. "A building or civil engineering contractor does not generally want a supply only situation," he says.

A lot of the company's work has been in London, which was a disadvantage: "There is a lot of resource spent in going up and down the motorway," says Mr Moores. But now Alpha is doing more work north of Watford, for instance on the Sheffield Meadowhall shopping complex and in the Hull docklands: "We recognised that the money would have to work north," he says.

Mr Page says that because a *factor would not lend to* a doubtful company, using a factor is "almost a recommendation. TIH have been good friends." And he is unequivocal in his antipathy towards banks: "We have got no time for them. Now we're not frightened of the rug being pulled any minute." And with less steam to let off, the squash game doesn't need to be quite so fierce.

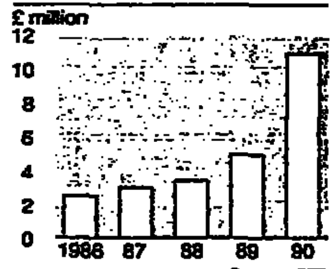
David Moores (left) and Michael Page of Alpha Rail: still playing squash, but *nowadays* the game is more relaxed

World's top 10: 1990



Source: FCI

Bad debts absorbed by ABFD members



Source: ABFD

Members of the Association of British Factors and Discounters

ALEX LAWRIE FACTORS. HQ Beaumont House, Beaumont Road, Banbury, Oxfordshire, OX16 7RN. Shareholder: Lloyds Bank 100 per cent.

BARCLAYS COMMERCIAL SERVICES. Aquila House, Breeds Place, Hastings, East Sussex, TN34 3DG. Barclays Bank 100 per cent.

CENTURY FACTORS. Southbrook House, 25 *Bartholomew* Street, Newbury, Berkshire, RG14 5LL. Close Brothers 95 per cent. Management 5 per cent.

GRIFFIN FACTORS. 21 Farncombe Road, Worthing, West Sussex, BN11 2BW. Midland Bank 100 per cent.

HILL SAMUEL COMMERCIAL SERVICES. Boston House, The Little Green, Richmond, Surrey TW9 1QE. TSB Group 100 per cent.

INTERNATIONAL FACTORS. PO Box *240,Sovereign House*, Church Street, Brighton, East Sussex, BN1 3WX. Lloyds Bank 100 per cent.

KELLOCK. ABBEY GARDENS, 4 Abbey Street, Reading, Berkshire, RG1 3BA. Bank of Scotland 95 per cent. Management 5 per cent.

LOMBARD NATWEST COMMERCIAL SERVICES. PO Box 50,Smith House, Elmwood Avenue, Feltham, Middlesex, TW13 7QD. National Westminster Bank 100 per cent.

ROYSCOT FACTORS. Exchange Court, 3 Bedford Park, Croydon, Surrey, CR0 2AQ. The Royal Bank of Scotland 100 per cent.

SECURITY PACIFIC BUSINESS FINANCE (Europe). 126 Dyke Road, Brighton, East Sussex, BN1 3TE. Security Pacific Euro-Finance 100 per cent.

TRADE INDEMNITY - HELLER COMMERCIAL FINANCE. Park House, 22 Park Street, Croydon, Surrey CR9 1RD. Trade Indemnity Group 50 per cent. Heller 50 per cent.

UCB INVOICE DISCOUNTING. UCB House, Railway Approach, Wallington, Surrey, SM6 0DY. Compagnie Bancaire and Union de Credit pour le Batiment 100 per cent.

Members of the Association of Invoice Factors

ANPAL FINANCE. PO Box 37, Kimberley House, Vaughan Way, Leicester LE1 9AZ.

BIBBY FACTORS. Kenwood House, 77a Shenley Road, Borehamwood, Herts WD6 1AG.

BIBBY FINANCIAL SERVICES. Norwich House, Water Street, Liverpool L2 8UW.

GAELIC INVOICE FACTORS. Finlay House, 10-14 West Nile Street, Glasgow G1 2PP.

GT INVOICE FACTORS. 17 Mount Ephraim, Tunbridge Wells, Kent TN4 8AE.

KCH. The Computer Centre, Benmhor, Campbeltown, Argyll PA28 6DN.

LONDON WALL FACTORS. Barkhill House, Shire Lane, Chorleywood, Herts WD3 5NT.

MADDOX FACTORING (UK). Argent House, 1 Progress Business Centre, Whittle Parkway, Slough, Berkshire SL1 6DQ.

METROPOLITAN FACTORS. 4 Heath Square, Boltro Road, Haywards Heath, West Sussex RH16 1BL.

ULSTER FACTORS. 7 North Street, Belfast BT1 1NH.

Unaffiliated factors*

CAUSEWAY INVOICE DISCOUNTING. 12 St Ann's Square, Manchester M2 7HS.

CHANCERY FACTORS. Mountcliff House, 154 Brent Street, London NW4 2DR.

COUNTY FACTORS. Patrick House, West Quay Road, Dorset BH15 1JF.

DE LAGE LANDEN FINANCIAL SERVICES. Brooke House, 7-9 Mount Ephraim Road, Tunbridge Wells, Kent TN1 1ET.

ITT COMMERCIAL FINANCE. Victoria Gate, Chobham Road, Woking, Surrey GU21 1JD.

UNION DISCOUNT INVOICE FINANCING. Union Discount House, Heath Square, Boltro Road, Haywards Heath, West Sussex RH16 1BL.

VENTURE FACTORS. Sussex House, Perrymount Road, Haywards Heath, West Sussex RH16 1DN

**This is not a complete list.*

Slow payers are Europe's bugbear, writes **Charles Batchelor**

Businesses yearn for the old days of discipline

GETTING paid – and getting paid on time – is an issue which furrows the brow of businessmen and women throughout Europe. Even the Germans and the Swedes, who settle their bills promptly by international standards, require their suppliers to wait 48 days for payment – 18 days longer than the 30-day terms usually quoted.

The British, by contrast, make their suppliers wait 78 days, according to a survey by Intrum Justitia, a credit management group, though their usual contract terms are also 30 days.

In many other countries payment terms tend to be longer to start with. The Italians frequently quote 120 days while the French, the Portuguese and the Danes quote up to 90 days, the European Commission reported in a recent study.

Businesses adapt to the payment conditions in which they have to operate and delay paying their own suppliers in turn. But smaller companies, which tend to be at the end of the queue, suffer most, particularly in a recession when cash *flow management is crucial* to survival. Smaller concerns are more dependent on borrowing than their larger counterparts so they come under particular pressure if they have to borrow to finance working capital at a time of high interest rates.

Small companies are also least able to exert pressure on large customers to get paid on time. A south London company providing security guards and electronic security systems puts a clause in its contracts which allows it to charge 2 per cent interest a month on bills which are not settled on time. But since customers sign 24 or 36-month contracts the managing director has never dared impose the charge for fear of losing his customers.

The depth of the recession and the high rate of business failures has brought a new urgency to the late payment question in the UK. A survey out by the Confederation of British Industry revealed that nearly one in five small and medium-sized *businesses* regarded the late payment of bills as serious enough to threaten their survival.

The CBI was so shocked by this finding – which showed that payments discipline had worsened markedly since its previous survey *five years* earlier – that it has set up a working party to study the issue. The UK Department of Employment, meanwhile, has announced a scheme to monitor the payments behaviour of the big-spending ministries. The results of the survey will *be published* and poorly performing departments will be chased up.

Small business groups in Britain such as the Forum of Private Business have been lobbying for years for a change in the law to give small businesses the automatic right to charge interest on overdue payments. But the government has refused to introduce legislation on the grounds that it would be difficult to frame with precision and would increase the burden of red tape on business.

Action has become necessary to solve what is now a serious problem for industry

The factoring industry provides a commercial solution to the problem, ministers argue. The factors themselves tend to take the view that the practical problems of drawing up effective legislation and of enforcing it mean that a change in the law is not the answer. One or two argue, though, that companies could offset some of the cost of the factoring service if the factor collected the interest charged on the late payment.

The government has urged big companies to pay on time and published booklets providing advice to smaller businesses on how to tighten up on their credit controls. This approach appears to be working, though, *as the latest CBI* survey shows. There is little doubt that many businesses would benefit by improving their procedures for assessing credit risk; by making clear to their customers their terms and conditions of trade; and by chasing up debts when they become due. Many companies take on new customers without asking the most basic questions and they tend to assume that once a sale has been made the money is in their bank account.

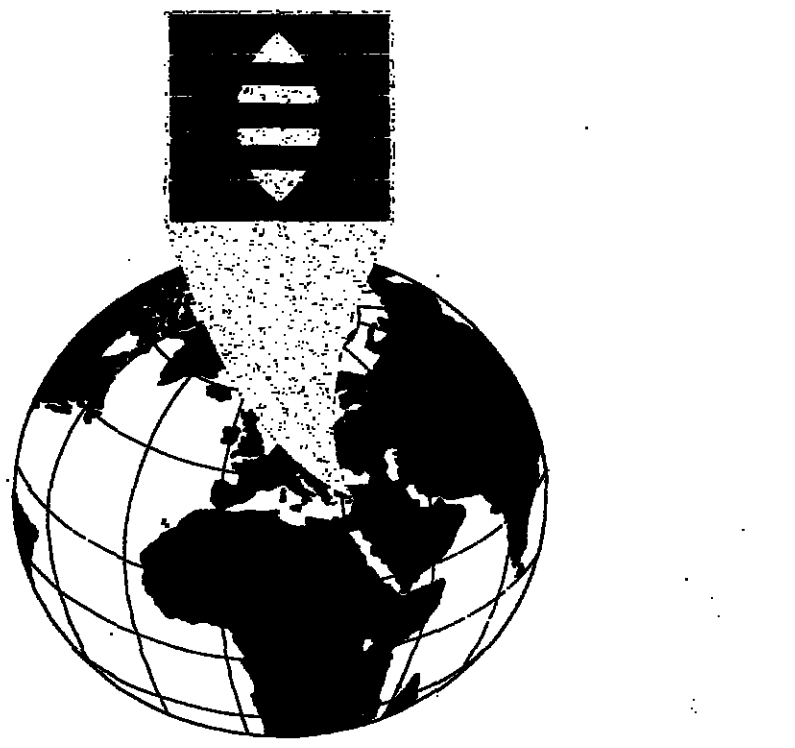
But *organisations such as* the National Federation of Self Employed and Small Businesses (NFSE) believe that neither an automatic right to interest nor improved procedures on the part of small businesses would be enough.

The NFSE thinks the answer lies in making court enforcement procedures more effective. Defendants in debt collection actions can delay proceedings so long that small claimants have to give up because they cannot bear the expense or are forced into liquidation before they have collected their money. Even if a claimant obtains a judgment he may be forced to make repeated visits to the court to obtain payment.

Legal reforms which are being introduced to extend the jurisdiction of county courts should make it easier and cheaper to obtain redress. But the NFSE believes that court reform should go even further. It wants court judgments to be followed by automatic enforcement hearings.

It also wants 30 days to be considered the normal payment term unless specified in a contract and lists of defaulters who have not paid their debts to be made public. The complexity of the issue is illustrated by the European Commission's search for a solution.

Just over a year ago it proposed setting a 45-day term for the settlement of bills and it *asked business* groups for their views. It received such diverse opinions from a total of 23 organisations that officials admit it has been difficult to reach a consensus. The commission hopes to come find an answer later this year. None of the proposals made to date seems to provide the complete answer. A solution may lie in a combination of legal change, improved credit management training for small businesses and modifications to court procedures. Some *action to solve a* serious problem for industry seems necessary.



David Lane charts Italy's unrivalled growth

After the explosion

THE Italian factoring market continues to display the buoyancy that has taken it to the top of the world table. Turnover was 22 per cent higher than in 1989, reaching an estimated L80,000bn. However, the 16 per cent growth rate was slower than in previous years.

"Business enjoyed explosive growth during the mid and late-1980s, with factoring volumes rising between 30 and 40 per cent annually," notes Colin Vincent, managing director of the Barclays Bank Italian factoring subsidiary. Though it was still healthier than in 1989, last year's out-turn suggests that Italy's factoring boom is coming to an end and that the market is reaching maturity.

Conditions are now significantly different from those in which factoring started in Italy and which gave initial impetus to the business. Compared with other countries, where the management and guarantee of receivables provided factoring's foundations, in Italy it owed its success essentially to financial factors. "Credit ceilings limiting banks' lending helped factoring to take root," explains an executive at BNL Holding, Banca Nazionale del Lavoro's financial services subsidiary.

But Italian factoring has changed since BNL Holding's Ifitalia, the first company in the business, started operations in 1963. This is evident from the fact that the removal of the last credit ceilings in March 1988 was not reflected in a decline in factoring.

A feature of the Italian market is the role of captive factors, the in-house factoring operations of large industrial corporations, which hold about 35 per cent of the Italian market. The country's large industrial groups have been aggressive in safeguarding factoring business among their subsidiaries and seizing business from their suppliers. "With an almost exponential growth, captive companies made an enormous contribution to the growth of the Italian market in the past," says the BNL Holding executive.

However, over the past two years, and particularly last year, the rate of growth in the captive market has slowed substantially. Against a 26 per cent rise in conventional business, captive turnover grew by only 14 per cent in 1990.

Keeping a foot in both camps, BNL Holding not only heads the Italian league with its Ifitalia and Sudfactoring subsidiaries, which together won about L13,000bn of business last year, but also has an important place in the captive sector.

In spite of their muscle, however, the big names cannot claim to have won the battle for the Italian market. Life is not easy for BNL Holding's two subsidiaries and captive interests, or for other leaders such as the Mediofactoring joint venture between Milan savings bank Cariplo and Banco di Sicilia and banking factoring companies CBI Factor, Centro Factoring and Factorit.

The BNL Holding executive draws attention to the large number of competitors operating in Italy. With a total of about 80 factoring companies, generally the subsidiaries of banks or captives controlled by industrial groups, the supply side of the factoring market is fragmented.

"The domestic market is over-crowded," says Barclay's Mr Vincent. He notes that the pursuit of volume is leading to higher risk and lower profitability. "Though we offer a full range of factoring services, we are concentrating on international business. This accounts for about 17 per cent of our turnover, against the 3 per cent share that international turnover represents in the Italian market overall. We believe it is less risky." Handicapped by a small six-branch network in Italy, the British bank can exploit its global presence to win international factoring business from Italian customers.

Barclays probably feels more at home in international markets than it does in Italy's southern mezzogiorno regions, notorious for the pervasive influence of organised crime. But Barclays is not the only factoring company wary of the south. In venturing there with its Sudfactoring subsidiary, established in 1982, even BNL Holding sought alliances with local banks. Though Sudfactoring has grown strongly (its 52 per cent turnover rise last year was double Ifitalia's growth), its volume is still less than one third of its large sister company.

The mezzogiorno's market is much smaller than the north, with only 20 per cent of total national turnover being generated in the southern mainland regions and the islands of Sicily and Sardinia. For southern businessmen, factoring is more likely to represent an alternative source of finance than a broad service for managing receivables.

Southern business benefits less from the sharp competition in Italian factoring, where the fight for volume has resulted in a reduction in the average conditions. "Interest rates are aligned with bank rates and average commissions are less than 1 per cent," says the BNL Holding executive.

He notes that there is inevitably a wide range for rates and commissions that reflect the volume of business, risk, duration, insurance cover and other features. "The main factoring companies tend to offer conditions that are similar, depending on type of customer and the service provided," he says. "We cannot afford to be out of line with the market. Our interest spread between cost of funding and rates to customers is between 2.5 and 3 points, and our commissions generally range from 0.1 to 1.5 per cent," says Mr Vincent.

What are the prospects for the future? Forecasts for this year point to turnover growth of between 12 and 15 per cent, offering limited opportunities to companies seeking volume and accustomed to high growth. BNL Holding notes that factoring companies are facing a significant increase in operating costs, due particularly to higher salary bills and the large investment needed in information systems. "In addition, investment in distribution channels and managing commercial efficiency is certainly rising," says the BNL Holding executive.

Anxieties persist in US, writes Karen Zagor

Fragile customers

CAUTION remains the watchword of US factors who have learned a bitter lesson after two years of watching many big, highly-leveraged retailers file for bankruptcy protection.

In the US, unlike Europe, factoring is almost exclusively the domain of the clothing and textile industries, with about 80 per cent of annual turnover coming from apparel-related business. As a result, US factors were among the first to feel the blow when highly-leveraged retailers, such as Campeau's Bloomingdale's department stores, started to become unstuck in the late 1980s.

Factors in the US provide a three-pronged service including checking credit, guaranteeing that credit and providing advances against accounts receivables. Clients can use any or all of these services, and each one comes with a separate bill.

Most of the American companies that evolved into factors started out in the 18th century as selling agents with links to European textile mills. They sold and warehoused merchandise and knew which local companies could be trusted. A 1965 ruling by the Comptroller of the Currency allowed commercial banks to move into factoring, but by then the link between factoring and the clothing trade was almost immutable.

One reason for this strong bond is that both the textiles and clothing industries are extremely volatile, and subject to periods of very rapid growth. This cyclical variation made it difficult for companies to get standard bank loans, but lent itself particularly well to factoring.

According to some factors, the industry has not diversified because it is based on individualised service, and factors already have a history of credit information and contacts in the textile and clothing worlds which would have to be forged in other areas.

But the lack of diversification has left US factors particularly vulnerable to big retailing failures. As a result, 1991 has started in the same way that 1990 ended, with a spate of retail bankruptcies.

Carter Hawley Hale and Hills Department Stores are among the biggest department store chains to have filed for protection from creditors under Chapter 11 of the Federal Bankruptcy code this year. And a question mark still hangs over R.H. Macy, which was taken into private hands in a management-led $3.6bn leveraged buyout in 1985 and has been struggling under its hefty debt burden in the soft retail environment.

While factors are taking some steps to protect themselves, such as keeping a very close eye on the stores and delving more deeply into their financial health where once they were happy to rely on annual financial statements, the harsh truth is that factors cannot survive without shipping to big retailers, even when the retailer's financial footing is shaky.

According to Mr Sidney Rutberg, an editor at *Daily News Record* and an expert on factoring, "business is rough because of the big retail bankruptcies". However, none of the major factors has failed as a result of the recent series of retailing bankruptcies.

Consolidation remains one of the most notable trends in the industry. According to Mr Rutberg, there are now about 17 factors from about 30 a few years ago. In the last year, BNY Financial acquired BT factors, which helped lift its total volume by 24 per cent to $6.2bn and in December 1989 Citizens & Southern Commercial acquired Security Pacific Factors, which contributed to its 26.1 per cent increase in volume to $5.8bn.

At the same time, overall volume in the industry grew by just 2.1 per cent to $49.01bn. Indeed, the rate of expansion in US factoring has slowed considerably in recent years after a prolonged period of sustained growth which started with the second world war. In 1940, total factoring volume in the US was $790m. By 1946 it had surged to $2.41bn and by 1956 it had nearly doubled to $4.30bn, climbing to $7.39bn in 1966. But since 1987, volume has stabilised at around $45bn.

One of the hazards of the concentration is the increased exposure to bad debt – when there were more factors, a company could have seven factors; now it is unlikely to have more than three.

According to Mr Rutberg, factors have started sharing the risk with clients. In addition, companies such as Macy, which has been plagued by rumours of impending bankruptcy for many months, now have special credit committees that work with the factors to review the company's financial position.

Retailers also recognise the importance of working with factors – if a factor refuses to guarantee credit shipments will probably be halted and retailers cannot survive for very long without merchandise.

The large number of retail bankruptcies has not been entirely bad for the factoring industry since it has prompted more manufacturers to seek the credit protection offered by factors.

Although there is little consensus about when consumer confidence will return to the US economy, and with it a retailing revival, the worst may be over for bankruptcies of large retailers. Simply put, there are very few highly leveraged department store groups left.

Macy is one of the few remaining highly-leveraged big department store groups that has not filed for Chapter 11, and the company has taken a number of steps to prevent a bankruptcy filing.

According to Mr Frederic Taylor, a high yield analyst at Salomon Brothers in New York, "Macy has bought itself another Christmas" through issuing new, preferred stock in a private equity offering and through the planned sale of its credit card division for $100m to GE Capital, which will relieve Macy of the unit's $1.5bn in debt.

The improvement has already started to appear in Macy's balance sheet.

Macy is expected to take other steps if it is to survive another year of soft consumer spending, but its investors seem determined to keep the company out of the bankruptcy courts and this is good news for its factors. While there seems little reason to be bullish in 1991, factors may have reason to be cautiously optimistic for 1992.

US FACTORING VOLUME

COMPANY	1990	1989	% change	1988	1987	1986
Ambassador Factors	760	720	-5.6	555	550	495
Barclays/American Commercial	3,843	3,332	+15.3	2,909	2,790	2,900
BNY Financial*	6,200	5,000	+24.0	4,500	3,800	2,500
BancBoston Financial	3,444	3,682	-6.5	3,698	2,966	2,783
Capital Factors	462	256	+80.5	207	n.a.	n.a.
Century Business Credit	901	852	+5.8	705	663	503
Citizens & Southern Com.**	5,800	4,600	+26.1	4,370	4,189	3,593
Congress Talcott Factors	4,110	4,100	+0.2	3,750	4,085	3,162
Heller Financial (Fuji Bank)	6,501	5,600	+16.1	4,550	4,200	3,760
CIT/Group Factoring	6,751	7,400	-8.8	7,476	7,610	6,040
Merchants Factors	120	82	-46.3	74	63	51
Midlantic Factors	843	904	-6.7	739	604	507
Midberg Factors	860	820	+4.9	780	755	720
Republic Factors	4,200	4,100	+2.4	3,350	3,000	2,300
Rosenthal & Rosenthal	1,160	1,120	+3.6	968	870	826
Standard Factors (Sterling Nat.)	151	144	+4.2	142	147	139
Trust Co Bank (Trust Co, Georgia)	2,906	2,768	+5.0	2,452	2,209	1,853
TOTAL	$49,012	$48,024	+2.1	$45,909	$45,237	$40,929

*000,000s omitted. Prior years include volume of firms no longer in business. * Includes volume of BT Factors, acquired by BNY in 1990. ** Includes full-year volume of Security Pacific Factors acquired by C&S in December, 1989. Source: Daily News Record*

Legal barrier hinders Germans' progress

An uphill struggle

THE German factor is struggling against tough odds to shed the image of a high-priced debt collector, and to gain due recognition as the purveyor of a sophisticated financial service.

At present, the factoring industry still labours under a blanket of ignorance. "Even account officers at the banks – and the banks here own many of the biggest factoring operations – have a tendency to view this as last resort financing", complains Mr Joachim Ost, chief executive of Security Pacific Eurofinance in Munich.

Turnover among the 12 members of the German Factoring Association last year amounted to DM15.5bn, representing a 16.7 per cent increase on 1989. But the figure remains small in proportion to the size of the German economy – just 0.5 per cent of GNP, compared with, for instance, some 5 per cent in Scandinavian countries.

One reason often cited for the relative backwardness of this form of financing is an ancient clause in German law known as the *Abtretungsverbot* or the ban on the right to assign. Companies can choose to introduce this clause which prevents their suppliers selling on claims against them.

On the whole, it is the large and powerful customers who exert such pressure on their intermediate suppliers from the ranks of medium-sized and small business. Opinions differ markedly as to how much business the factoring industry is robbed of by this legal provision.

Mr Ost says that without the restriction 1990 turnover might have been some 10-15 per cent higher and that by no means all industries where the *Abtretungsgebot* is common – such as the automobile sector – would be natural candidates for factoring in the first place.

Others would put the loss higher. But all are lobbying hard in Bonn for a change in the law – in the face of opposition from the big industry associations, and, curiously, without much support from the banking lobby either.

At the same time, ignorance and misconceptions of the nature of the business turn out to be a considerably more powerful obstacle to wider acceptance of the factor. Among those relatively few companies who actually know what a factor does, a high proportion assume that the decision to employ one is a clear signal that the concern is threatened with bankruptcy.

Meanwhile, factoring plays an important role, predominantly for intermediate suppliers in sectors such as textiles. Another high growth industry for which the extra source of financing is often needed is computer hardware. Clients are also to be found in the meat trade, transport companies and employment agencies.

Businesses where claims might be easy to dispute by contrast – computer software, for instance, constitute risks that factors cannot afford to assume.

Factoring in Germany is largely, though not wholly, conducted through the subsidiaries of banks. Unlike Britain, however, where the big clearers dominate the largest factoring operations, the activities of only one of Germany's three biggest private banks – Deutsche Bank – would number among the top five factoring groups.

While Deutsche owns 100 per cent of GEFA in Wuppertal, Commerzbank does not have its own operation (though it does co-operate closely with Heller Factoring Bank, a subsidiary of the US consumer finance giant ultimately owned by Fuji Bank of Japan and one of the top five factors in Germany). Dresdner, meanwhile, has a 45 per cent stake in the still relatively small Disko Factoring Bank, in which the credit guarantee agency Hermes also has 45 per cent.

Meanwhile, Germany's largest factor, DG Diskontbank, is wholly owned by the Deutsche Genossenschaftsbank, the lead institution of the country's extensive co-operative banking sector. Also among the leading five companies is Procedo Gesellschaft für Exportfactoring, 50 per cent owned by private individuals and the rest by Allgemeine Kreditversicherung in Mainz, another large merchandise insurer. In export factoring, Procedo is by far the largest, claiming a 47 per cent share of the German market. Last year, total turnover reached DM2.012bn, DM1.477bn of that falling to cross-order business.

Eastern Germany is widely regarded as a long-term growth market

The Mainz insurer is in turn understood to be considering a link with DG Diskontbank, which raises questions as to the future of the 50 per cent privately held Procedo in the event of a deal materialising.

In addition to Heller, a number of other foreign companies are involved in the German market. Last year, for instance, De Lage Landen Factors of the Netherlands set up in Düsseldorf, and Security Pacific is selling its operation, started in 1988.

One area apparently tailor-made to ambitious factors is eastern Germany, where cash-strapped concerns might be eager to explore all methods of alternative financing. Most factors, however, are proceeding with the utmost caution. Less than DM100m worth of East German related business was completed in the second half of last year, according to the factoring association.

The main obstacle is the difficulty of credit assessment – an absence of the most basic documents from balance sheets to even a simple list of debtors – together with the inadequacies of the legal system which greatly complicates the enforcement of claims. A certain ignorance in the ways of factoring can also constitute a problem – one westerner, after careful probing of a potential client, heard afterwards he had been dubbed as "worse than the Stasi" secret police.

A pioneer in the east was the publisher Bertelsmann, which also has a large factoring operation in the west. But this form of factoring is of the captive variety, as the business includes effecting the deliveries between publisher and the book trade.

Most factors are convinced that the markets in eastern Germany, and subsequently further east, will eventually expand. In the shorter term, however, the impulse from European integration is expected to boost cross-border trade and general growth. Factoring will be the indirect beneficiary of both that and the likelihood that the harmonisation of standards throughout Europe will eventually be extended to include the abolition of the *Abtretungsverbot*.

Katharine Campbell

Analysts play down Soviet gold sales fears

By Kenneth Gooding, Mining Correspondent

FEARS THAT economic chaos in the Soviet Union will result in vast quantities of gold bullion being sold in the west are unfounded, according to two leading analysts. However, they suggest the Soviet Union, the world's second-biggest gold producer, will this year boost sales of the precious metal, perhaps by nearly one-third.

But, as an astute trader, the Soviet Union will take care not to damage the gold price – although its activity might help to put a "cap" on any price rise.

The Soviet Union aims to earn between US$2.5bn and $3bn of foreign currency a year from gold sales, according to Mr Timothy Green, an independent analyst and author of several books on the metal. To do so it has sold an annual 6m to 8m troy ounces.

Mr Green says that annual sales of up to 11m ounces can now be anticipated. "That would earn the Soviet Union an extra $1bn or more each year," he says in a special paper published in the annual report of Echo Bay Mines, the US gold producer.

Mr Jeffrey Nichols, managing director of the American Precious Metals Advisors consultancy organisation, refers to current gold market concern that the Soviet Union's deteriorating credit-worthiness might force western banks to sell Soviet gold held as collateral against loans.

He estimates that 6.4m to 8m ounces of gold with a current value of $2.3bn to $3bn are held by western banks as a result of "swaps" – the simultaneous selling of physical gold in the spot market and repurchase of forward positions.

"The threat of substantially increased [gold]) sales seems unlikely to me," says Mr Nichols in APMA's latest Metals Fax. "While some banks may wish to reduce their exposure to Soviet debt, even debt backed by gold, others still view this as good – or necessary – business. In particular, German banks, under direction from federal authorities, may be willing to increase their swap positions with the Soviets."

The analysts estimate that Soviet gold production has been about 10m ounces a year (about half that of South Africa, the biggest producer) but Mr Nichols suggests the country's problems may now have reduced annual output to 7m ounces. Soviet gold reserves are estimated to be at least 64m ounces (2,000 tonnes). Mr Nichols says: "Soviet monetary authorities may wish to maintain the level of gold reserves as a prelude to eventual membership in the International Monetary Fund, to help support borrowing, and eventually to support a freely-traded rouble."

NZ refuses to guarantee funding of Wool Board

THE NEW Zealand government has turned down a Wool Board request to guarantee its funding, Mr John Falloon, the Agriculture Minister said yesterday, Reuters reports from Wellington.

"We could not agree to the precedent that guaranteed funding for the Wool Board would imply," he explained.

The board sought a government guarantee on borrowings so that it could compensate those farmers who had not auctioned their wool before a February 12 suspension of price support. The suspension was in response to a slump in international demand and chronic oversupply in Australia, where the Australian Wool Corporation also suspended support mechanisms.

"In the subsequent event of other [producer] boards approaching the government for similar arrangements, not only would the other boards' independence from government assistance be compromised, but the government's fiscal programme would be jeopardised," Mr Falloon said.

In December the New Zealand Wool Board arranged NZ$200m (£67m) in term borrowing. It also has a promissory note facility. It has not said how much government guaranteed debt it wanted to raise, but said the sum would depend on market prices.

Mr Falloon said he was confident the board could trade through its difficulties and maintain its obligations to farmers who had expected minimum prices to remain throughout the season. But the decline in prices in the post-February 12 free market has not been as dramatic as was first expected. The market indicator was 378 NZ cents a kilogram (clean) at the last sale on March 27, up 12 cents from the previous sale on March 21.

The market price was 395 cents a kilogram just before the suspension, compared with 505 cents set last June.

PNG urges ownership change for closed mine

By Kevin Brown in Sydney

SIR MICHAEL Somare, Papua New Guinea's foreign minister, yesterday stepped up pressure on CRA, the Australian mining group, to sell its 53.6 per cent stake in the closed Panguna copper mine on Bougainville island.

Sir Michael said he had received "a very attractive offer" for the mine from Mr Jay Pritzker, the Chicago-based investor whose company owns the Hyatt hotel chain.

CRA executives have met Mr Pritzker twice at Sir Michael's request to discuss the future of the mine, which was closed in 1989 following attacks by the secessionist rebels belonging to the Bougainville Revolutionary Army.

Sir Michael said CRA's continued ownership of a majority holding in the mine was "unsuitable". He did not give details of Mr Pritzker's offer but claimed it would form the basis of a new partnership between the PNG government and the people of Bougainville.

Sir Michael also said two other groups had approached the government with potential offers for the mine.

However, CRA officials said the talks with Mr Pritzker did not lead to an acceptable offer. The group, which is 49 per cent owned by RTZ of the UK, has told the PNG government it is willing to sell to help the stalled peace process on Bougainville, but will only accept a "reasonable" offer.

The PNG Government has re-established communications with Bougainville following talks in Honiara, capital of the Solomon Islands, but the rebels have subsequently refused to lay down their arms.

A tentative peace agreement between the two sides also excluded consideration of the future political status of Bougainville, which CRA says must be resolved before the Panguna mine can reopen.

● Albras, the Brazilian aluminium giant, announced March production figures of 13,400 tonnes of aluminium, less than half its normal monthly output of 27,000 tonnes. Some 7,000 tonnes of March's production was produced before a power cut caused serious damage at the group's Belem plant a few weeks ago when molten metal in furnaces cooled and hardened.Of the group's 864 furnaces, 524 are now functioning. However, most of them are producing aluminium at purity levels well below that demanded by the market.

An official said the average purity level is now between 99.4 and 99.5 per cent. The company is negotiating with buyers to sell the impure aluminium.

Portugal's plastic-covered farm project

Patrick Blum describes an ambitious plan to supply market garden produce

AT A time when Portugal's farmers face with increasing apprehension the prospect of falling trade barriers and subsidies, an ambitious new venture to produce high quality out-of-season produce is setting out to prove that Portuguese agriculture can compete and prosper.

The challenge comes from Mr Thierry Roussel, a French entrepreneur, whose Plein Sud group is planning to invest $100m to establish what he claims will be Europe's leading supplier of market garden produce. Since the project was first conceived in 1988, about $25m has been invested in two farms totalling 800 hectares, which are been gradually being brought into production. Both farms rely on modern production techniques managed by a team of specialists drawn from Israel, North Africa and Europe.

A fleet of lorries has been assembled through a joint venture with a local partner to carry produce speedily and reliably to the main European markets. By the end of the year, the group will launch its own distinctive Cap Verde label for its higher quality products, to be followed later with the launch of a range of "eco-products" aimed at the growing market for natural foods produced in an environmentally safe way.

For Portugal this is a radical departure. Portuguese agriculture suffers from chronic inefficiency. Division of land into tiny, unviable plots in the north and vast poorly managed co-operative farms created in the south after the 1974 revolution, have hampered moves to modernise agriculture, and left Portugal dependent for more than half of its food on imports. The biggest handicaps are outdated and rudimentary production methods and poor distribution networks and marketing.

Plein Sud's advantage is that it has been able to start from scratch. On the basis of a careful study of supply and demand in the major north European markets of Britain, France, Germany and the Benelux countries, production can be planned according to need and at the time when prices are at their highest because demand can only be met by costly imports from Israel, South Africa or South America.

For example, according to the study, the average wholesale price of strawberries on the main French market at Rungis for 1987, 1988 and 1989 reached a peak of above FFr41 (£4) a kilogram for the month of December, falling to FFr13.20 a kilogram in July, when the market is flooded with locally-grown fruit. The same price fluctuations apply to other produce: tomatoes are scarce and most expensive in the months of March and April, melons between February and May.

The commercial lesson drawn from these findings was to take advantage of demand and price movements for off-season produce by supplying the desired products, of a good quality, at acceptable prices and at a moment of optimum returns from a source that is within easy reach of targeted markets. Portugal was chosen as the ideal site because it could fulfil all those conditions.

Plastic covers help to reduce attacks by insects, diminishing the need for chemical pesticides

Production will be aimed at the Iberian market during the summer months, when demand for fresh fruit and vegetables is heightened by the large inflow of tourists. Plein Sud says Spanish production of market garden produce is made more difficult in the summer because of the high temperatures there – unlike the western coast of Portugal where the climate is more temperate because of the Atlantic Ocean.

Portugal's climate allows open air and greenhouse production all year round, while production costs can be kept low. According to an official Portuguese study published in 1988, average hourly labour costs – wages plus social security charges – were more than five times lower in Portugal than in northern Europe, about a third of those in neighbouring Spain and almost half those of Greece. Portugal's membership of the European Community also ensures free access to community markets, which can be reached quickly by road, thereby reducing transport costs and wastage.

To fulfill this strategy, Plein Sud chose two main locations. The largest, and the key to Plein Sud's ambitions, is at Brejao, on the southern Alentejo coast. It consists of 500 hectares almost half of which already are under cultivation. The farm set on what used to be sandy marsh lands beaten by violent winds and winter torrential rains is expected to produce about 8,500 tonnes of fruit and vegetables including strawberries, melons, tomatoes and lettuces in the 1990-1991 season, and about 21,000 tonnes in the 1991-92 season.

Despite the warm oceanic climate and one of the highest counts of sunlight hours in Europe, to make cultivation possible 5 km (3 miles) of wind cutters had to be erected, and 2,300 kilometres of drainage pipes were sunk into the ground to soak up excess moisture and, it is planned, to rechannel it for irrigation. Computerised drip feed watering systems developed by the Institut National de Recherches Agronomiques of France are installed, backed up by four artificial lakes to collect rain water, supplementing water from a nearby dam at Santa Clara. Water management, for which an Israeli engineer is reponsible, is crucially important.

The land itself is regularly treated and prepared for each new cultivation. "The soil here is simply an instrument of production. It is so poor and neutral that we use it only as support for cultivation. We feed it, irrigate it, drain it and wash it every time we switch what we grow," says Mr Mourad Elmili, a Moroccan farmer now director of the Brejao farm. Flexibility to meet changing demand is crucial to the venture's success, he says.

Before each new cultivation the soil is sterilised to kill bacteria. It is regularly tested and, whenever necessary, fed with organic materials to improve its quality. Greenhouse cultivation and the use of special plastic covers, which form seemingly endless lines of small tunnels, help to reduce attacks by insects, thereby diminishing the need to resort to chemical pesticides.

The second location, a farm of 300 hectares, of which 30 hectares have been planted so far, is at Mira, 90 km (56 miles) south of Oporto. It produces plants, ornamental trees and flowers. It is expected to produce 3m plants this year, 5m in 1993 and 10m in 1995. Set on the remains of burnt forest, the land has needed extensive preparation, and 18 km of wind cutters have been erected. The guiding philosophy is the same as at Brejao with the same emphasis on modern production methods. Germany, France and Britain, which between them account for 70 per cent of the European market for plants and flowers, have been selected as the main targets.

About 100 workers and specialists of various nationalities work at Mira and another 500 at Brejao. "We have a tower of Babel here with people from 14 different nationalities speaking five different languages," says Mr Elmili. Many of the qualified engineers are young Portuguese women who have found in Brejao the possibility to do a job they like in an area of activity where normally women have only the most menial jobs. That is also a small revolution for Portuguese agriculture.

India releases 200,000 tonnes more sugar for export

By Kunal Bose in Calcutta

THE INDIAN government sanctioned a further 200,000 tonnes of sugar exports for the 1990-91 season (October to September).

The move is partly a response to pressure from the sugar industry, which is unable to realise economic prices in the domestic market because of bumper production in two consecutive years, and partly a reflection of the country's desperate foreign exchange situation.

Earlier, the government authorised the export of 225,000 tonnes of sugar, out of which the State Trading Corporation had settled sales contracts for 150,000 tonnes. Henceforward, the industry, through its own Indian Sugar and General Industry Export Import Corporation, will be handling exports without the involvement of the STC.

The government agrees with the industry that its trading organisation is well equipped to handle export independently, according to Mr Om Dhanuka, spokesman for Indian Sugar Mills Association. The export import corporation is considering the option of direct selling instead of inviting tenders for the remaining 275,000 tonnes earmarked for export. A decision on the organisation of future exports will be taken at a board meeting of the corporation on April 11.

The industry will strive to ship as much sugar as possible by May as the Bombay port does not lend itself to handling of sugar during the monsoon. The other Indian ports which may be used for sugar exports are Tuticorin, Kandla, Madras and Vizag.

As the exports are to be made from the portion of its production that the industry is allowed to sell in the open market, a liberal export release is not going to affect the interest of domestic consumers, who get sugar at fixed rates from fair price shops. Industrial consumers account for as much as 75 per cent of free-sale sugar.

With open market prices remaining depressed, the industry, according to Mr Dhanuka, will suffer a loss of more than Rs 5bn (£145m) during 1990-91.

WORLD COMMODITIES PRICES

MARKET REPORT

Silver again advanced on the London bullion market, building on further overnight gains on Comex and optimism that the industrialised economies are climbing out of recession, dealers said. Some confidence has been restored in silver by several days of firm runs on US futures but the market remains vulnerable to sudden downturns due to silver's poor fundamentals and a lack of investor interest. Platinum was also lifted by the perceived economic upturn. The white metals helped gold to move ahead, but the market met stiff overhead resistance, dealers said. The dollar's easing from recent highs also supported gold, which traded in a narrow range and failed to breach resistance at $360 a fine ounce in mainly professional business. Dealers expect gold to remain within the $355 to $360 range for the rest of the week. Cocoa prices fell sharply in London as the market appeared to rule out the chance of a move on the upside in the immediate future, traders said. "We're still caught in the same range, but down at the lower end. Both London and New York seemed to decide prices weren't going higher, so we saw a lot of liquidation," a dealer said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.40-4.55u	+0.05
Brent Blend (dated)	$17.65-7.80	+0.10
Brent Blend (May)	$18.10-8.15	+0.10
W.T.I. (1 pm est)	$19.50-9.55u	-0.05
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$231-234	-3
Gas Oil	$173-174	+2
Heavy Fuel Oil	$68-70	
Naphtha	$179-182	+4.5
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$359.35	+1.60
Silver (per troy oz)♣	411.50c	+7.50
Platinum (per troy oz)	$401.25	+7.25
Palladium (per troy oz)	$94.45	+2.95
Aluminium (free market)	1445	+20
Copper (US Producer)	112¾c	+2¼
Lead (US Producer)	36⅞c	
Nickel (free market)	417c	-10
Tin (Kuala Lumpur market)	14.81r	+0.01
Tin (New York)	255.0c	+1.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.54p	+1.07*
Sheep (dead weight)†	206.30p	+10.4*
Pigs (live weight)†	87.25p	-2.33*
London daily sugar (raw)	$228.4q	+0.8
London daily sugar (white)	$300.0q	-0.5
Tate and Lyle export price	£235.5	-1.0
Barley (English feed)	£122.5w	
Maize (US No. 3 yellow)	£175.5	+0.5
Wheat (US Dark Northern)	£94.5	
Rubber (May)♥	51.75p	+0.25
Rubber (Jun)♥	52.50p	+0.25
Rubber (KL RSS No 1 Apr)	227.5m	
Coconut oil (Philippines)§	$335.0s	-5.0
Palm Oil (Malaysian)§	$327.5q	+2.5
Copra (Philippines)§	$227.5t	
Soyabeans (US)	£154.0	-2.0
Cotton "A" index	63.40c	
Wooltops (64s Super)	338p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul/Sep t-Jun. w-Apr u-May. x-Apr/Jun. s-May/Jun. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	666	684	689 664
Jul	690	708	714 689
Sep	711	728	738 709
Dec	738	755	761 737
Mar	763	779	783 762
May	780	796	800 780
Jul	799	815	811 798

Turnover: 5218 (2333) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 2 862.29 (876.50) 10 day average for Apr 3 873.05 (872.71)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	605	605	608 598
Jul	616	618	620 611
Sep	632	631	633 626
Nov	644	645	646 638
Jan	656	662	658
Mar	670		670

Turnover: 5053 (1961) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 2: Comp. daily 72.80 (73.74). 15 day average 72.47 (72.41)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	112.0	115.0	111.0 109.5
May	141.5	141.9	141.5 139.5
Mar	128.0	127.0	125.0
Apr	128.0	128.0	128.0

Turnover 71 (255) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	121.50		121.50
Jun	118.50	119.00	118.50
Aug	121.00	121.50	121.00

Turnover 110 (130)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Apr	1464	1445	1465 1455
May	1383		1376 1370
Jul	1129	1107	1130 1119
Oct	1228		1235
Jan	1255		1250
BFI	1596	1599	

Turnover 137 (32)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	136.90	137.20	137.40 136.85
Jun	139.15	139.50	139.70 138.80
Nov	114.15	113.75	114.15 114.00
Barley	**Close**	**Previous**	**High/Low**
May	119.65	119.60	119.80 119.70
Sep	107.65		107.65

Turnover: Wheat 343 (178), Barley 23 (37).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	113.0		113.0 112.5
Jul	114.0		113.0
Sep	114.0	113.0	113.0
Oct	114.0	113.5	113.0
Nov	114.0		113.0

Turnover: 63 (68) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	153.99	153.66			
Apr	154.70	154.00	154.70		66
May	154.60	153.60	154.60	154.20	90
Jun	154.30	153.80	154.30	154.00	88
Sep	153.70	153.40	153.70		61
Dec	154.60	153.80	154.60		33
Mar	154.10	153.80	154.10		16

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	197.80	202.20	200.00 196.00
Aug	196.80	201.40	201.00 197.20
Oct	195.80	197.40	197.00 194.00
Dec	190.80		191.00 191.00
Mar	189.40	190.00	188.60 187.00
May	190.00	191.00	187.00
White	**Close**	**Previous**	**High/Low**
May	297.2	299.2	298.5 295.5
Aug	291.5	293.5	292.8 290.0
Oct	264.5	266.0	264.4 262.5

Turnover: Raw 663 (962) lots of 50 tonnes. White 997 (2167)
Paris- White (FFr per tonne): May 1684, Aug 1663, Oct 1509.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
May	18.10	17.99	18.20 17.88
Jun	17.94	17.94	18.03 17.84
Jul	17.87	17.90	17.94 17.83
Aug	17.92	18.05	17.92 17.89
IPE Index	17.86	17.82	

Turnover 7003 (9615)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Apr	166.50	166.50	169.25 165.00
May	163.50	162.50	164.00 161.00
Jun	162.00	160.25	162.25 159.00
Jul	162.50	161.50	162.50 159.50
Aug	164.00	162.75	164.25 162.50
Sep	166.50	163.75	166.25 163.50
Oct	168.75	175.00	168.25 165.50
Nov	170.50		169.00 168.25

Turnover 4203 (2136) lots of 100 tonnes

WOOL

Auction room prices continue to rise since the first week of free market conditions for wool in Australia. Other wool-related prices tend firmer for this reason, but helped along only by spasmodic and often very modest amounts of new business, with buyers pressing for very competitive prices and rarely interested in longer term transactions. Currency helped to push up prices recently but with the US dollar and related exchange rates easing off a little, this factor is less evident.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,530 lots
Cash	1448-50	1433-4	1445/1440	1440-1		
3 months	1478-9	1463-4	1479/1464	1471-2	1476-7	63,285 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,135 lots
Cash	1385.5-6.5	1394-5	1382/1370	1370-2		
3 months	1371.5-2	1373-4	1372/1358	1358-60	1364-5	103,237 lots
Lead (£ per tonne)						Total daily turnover 1,382 lots
Cash	347-8	348.5-9.5	346	346-8		
3 months	360-1	359.5-60.5	360/358	359-60	359-60	14,177 lots
Nickel ($ per tonne)						Total daily turnover 1,433 lots
Cash	8925-50	9110-30	9000	8975-900		
3 months	8925-50	9100-10	9100/8925	8975-900	8925-50	9,120 lots
Tin ($ per tonne)						Total daily turnover 1,817 lots
Cash	5470-5	5445-55	5470/5450	5455-60		
3 months	5570-5	5545-50	5570/5550	5540-5	5560-70	5,827 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,711 lots
Cash	1228-33	1210-2		1218-20		
3 months	1190-3	1188-90	1200/1180	1185-6	1192-4	23,952 lots

LME Closing £/$ rate: SPOT: 1.7765 3 months: 1.7508 6 months: 1.7298 9 months: 1.7151

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	359.10-359.60	
Opening	358.50-359.00	
Morning fix	357.85	201.799
Afternoon fix	359.20	201.775
Day's high	359.60-360.00	
Day's low	357.80-358.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.41	6 months	5.25
2 months	5.34	12 months	5.21
3 months	5.30		

Silver fix	p/fine oz	US cts equiv
Spot	228.55	406.50
3 months	235.45	412.80
6 months	242.05	419.65
12 months	254.05	433.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	360.00-361.00	202.25-202.75
Maple leaf	370.00-371.00	208.00-208.50
New Sovereign	87.00-88.00	49.10-49.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	May	Apr	May
1350	116	139	1	9
1450	37	68	21	35
1550	5	25	88	91
Copper (Grade A)	**Calls**		**Puts**	
2350	100	106	15	60
2450	40	59	55	112
2550	11	30	125	180
Coffee	**May**	**Jul**	**May**	**Jul**
550	55	78	1	14
600	17	47	13	32
650	3	27	49	62
Cocoa	**May**	**Jul**	**May**	**Jul**
650	66	56	7	15
700	24	29	1	39
750	5	14	40	74
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800	35	35	33	
1850				
1900				

New York

GOLD 100 troy oz.; $/troy oz.

	Latest	Previous	High/Low	
Apr	360.8	358.5	361.6	358.8
Jun	362.4	360.5	363.4	361.8
Aug	365.8	363.6	366.5	365.5
Oct	368.7	366.6	369.0	368.7
Dec	372.5	370.3	373.0	371.4

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Apr	400.5	392.8	403.0	396.0
Jul	406.0	397.9	407.0	404.0
Oct	410.0	401.8	410.5	408.0
Jan	411.5	405.8	411.5	411.0

SILVER 5,000 troy oz; cents/troy oz.

	Latest	Previous	High/Low	
Apr	409.5	398.9	410.0	407.0
May	409.0	401.0	415.0	407.6
Jul	414.0	405.8	420.0	413.0
Sep	420.0	410.7	424.0	420.0
Dec	426.0	417.9	432.6	425.0
Mar	434.0	425.8	439.0	434.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	109.00	109.30	109.70	108.80
May	109.30	108.70	110.25	108.90
Jun	108.30	108.45	108.30	108.30
Jul	107.35	107.85	108.20	107.25
Sep	106.20	106.65	106.80	106.10
Dec	104.80	105.00	105.10	104.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.61	19.70	19.80	19.42
Jun	19.46	19.60	19.65	19.30
Jul	19.37	19.50	19.50	19.21
Aug	19.30	19.44	19.43	19.17
Sep	19.21	19.41	19.35	19.10
Oct	19.20	19.40	19.38	19.17
Dec	19.30	19.44	19.40	19.16
Feb	19.25	19.44	19.35	19.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5375	5423	5425	5310
Sep	5390	5464	5440	5390
Oct	5510	5559	5540	5490
Dec	5710	5744	5730	5680
Feb	5620	5624	5630	5580

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1105	1143	1141	1104
Jul	1137	1172	1167	1135
Sep	1168	1199	1195	1168
Dec	1206	1238	1231	1205
Mar	1242	1263	1257	1241
May	1269	1287	1269	1269
Jul	1282	1313	1292	1290

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	93.90	93.60	94.70	93.40
Jul	96.05	95.70	96.75	95.60
Sep	97.90	97.60	98.55	97.90
Dec	100.50	100.10	101.10	100.45
Mar	103.50	102.40	103.60	0
May	105.75	103.50	105.75	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.01	9.01	9.07	8.87
Jul	8.94	8.81	8.97	8.67
Oct	8.89	8.66	8.92	8.56
Mar	8.66	8.42	8.69	8.34
Jul	8.48	8.53	8.48	0

COTTON 50,000; cents/lbs

	Latest	Previous	High/Low	
May	83.26	83.70	83.60	82.61
Jul	83.65	84.10	83.90	83.28
Oct	73.05	73.35	73.20	72.95
Dec	69.05	69.10	69.10	68.85
Mar	69.60	69.80	69.65	69.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Latest	Previous	High/Low	
May	115.10	116.45	115.60	114.00
Jul	115.60	116.75	115.75	114.25
Nov	115.10	116.70	115.10	115.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 3	Apr 2	mnth ago	yr ago
1733.4	1739.8	1699.2	1923.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 1	Mar 28	mnth ago	yr ago
Spot	125.42	124.84	125.48	133.23
Futures	129.51	129.22	130.49	133.52

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Latest	Previous	High/Low	
May	596/4	594/4	599/0	593/2
Jul	611/2	606/4	611/4	606/4
Aug	616/0	611/0	616/0	611/2
Sep	620/0	616/0	620/4	617/0
Nov	631/0	627/4	631/0	626/0
Jan	641/0	638/6	641/4	637/0
Mar	652/0	649/4	652/0	648/0
May	658/0	656/4	659/4	657/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Latest	Previous	High/Low	
Jul	22.25	21.93	22.28	21.95
May	23.10	22.90	0	0
Jul	23.20	22.95	0	0

SOYABEAN MEAL 100 tons; $/ton

	Latest	Previous	High/Low	
May	174.7	174.9	175.0	173.8
Jul	178.0	178.0	178.3	177.1

MAIZE 5,000 bu min; cents/56lb bushel

	Latest	Previous	High/Low	
May	258/4	256/4	258/6	256/2
Jul	266/2	263/6	266/2	263/4
Sep	266/0	263/4	266/0	263/2
Dec	266/0	263/4	266/0	262/6
Mar	273/0	270/6	273/0	270/0
May	278/4	276/0	278/4	275/4
Jul	281/4	279/0	281/4	279/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Latest	Previous	High/Low	
May	293/2	290/2	294/0	290/0
Jul	302/6	300/2	303/4	299/6
Sep	310/4	307/4	311/0	308/0
Dec	324/0	321/6	324/4	320/4
May	334/4	334/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	82.42	82.42	82.60	82.22
Jun	77.82	78.02	78.10	77.60
Aug	75.15	75.12	75.25	74.90
Oct	76.47	76.57	76.82	76.32
Dec	76.75	76.67	76.80	76.50
Feb	76.30	76.35	76.45	76.25

LIVE HOGS 30,000 lb; cents/lbs

	Latest	Previous	High/Low	
Apr	53.25	53.60	53.90	53.15
Jun	57.90	58.35	58.65	57.75
Jul	56.90	57.42	57.60	56.85
Aug	54.20	54.55	54.80	54.10
Oct	49.00	48.90	49.25	48.90
Dec	48.20	48.02	48.35	48.10
Apr	46.10	46.10	46.10	0

PORK BELLIES 40,000 lbs; cents/lb

	Latest	Previous	High/Low	
May	67.20	66.15	68.20	66.90
Jul	65.85	66.95	66.90	65.40
Aug	63.55	64.60	64.65	63.32
Feb	60.10	61.05	61.10	60.10

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LONDON STOCK EXCHANGE

Record close for the Footsie Index

THE ADVANCE in the London equity market continued yesterday, taking the FT-SE Index to an all-time closing peak of 2,519.1, nearly nineteen points above the previous peak reached on March 14. At the close, the Index was 30.8 up, after moving earlier to within 0.2 of its previous intra-day high, also chalked up in the middle of last month.

It was Wall Street's gain of nearly 64 Dow points overnight that set a light to the London market yesterday morning, just as it was Wall Street's uncertainty at the opening of the new session that brought UK stocks back from the day's highs towards the end of the day. The renewed strength of the New York market has provided the chief impetus behind this week's gains in the UK and other European bourses.

Account Dealing Dates		
*First Dealings:		
Mar 11	Apr 2	Apr 15
Option Declarations:		
Mar 27	Apr 11	Apr 25
Last Dealings:		
Mar 28	Apr 12	Apr 26
Account Day:		
Apr 8	Apr 22	May 7

*New-time dealings may take place from 8.30 am two business days earlier.

London will be closely watching Wall Street's performance overnight for a guide to the likely opening of the UK market today.

UK stock and index futures also played a significant role again, at least in early deals. But the premium on the June futures contract on the FT-SE Index was clipped later by a heavy seller.

Equity trading volume, as measured by the Seaq network, reached 704.1m shares, the highest daily total since the 894.3m recorded on March 15, the day the FT-SE reached its intra-day peak of 2,527.1. However, traders again stressed that stock was very short yesterday and that inter-market deals made up a high proportion of total Seaq volume.

Interest rate prospects continued to dominate sentiment ahead of today's policy meeting at the West German Bundesbank. However, hopes for an early reduction in US rates were dented after New York reports that the Federal Reserve may not ease credit in the near term. However, market attention is focused on the US employment data which is due tomorrow and could provide the spur for action from the Fed. Rate optimism on the domestic front was checked as sterling lost an initial gain.

Wall Street influences were clearly reflected in sharp rises in BAT Industries and Grand Metropolitan. Insurance stocks drew further confidence from the increased dividend payout from Sun Alliance. But a weak spot among blue chips was ICI, after Sir Denys Henderson, the *chairman, told the Financial Times:* "Some of our businesses have not been as resilient as we expected – or as we said they would be."

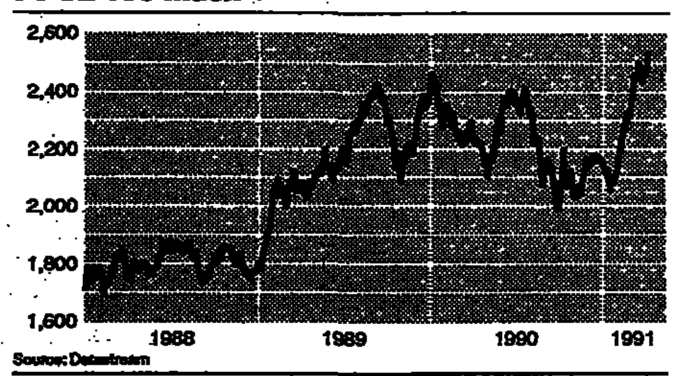
Company results and statements provided some features, and were often greeted with widely differing recommendations from market analysts. Trading figures from Tesco, the food supermarket, were largely as expected since the announcement issued in January with the £572m rights issue

The least successful sector, despite Wall Street's influence, were the leading oils, where bearish comment from UK brokerage sources depressed the big names. Nor was sentiment helped by hints that a rights issue is pending in this sector.

The expectation of further rights issues helped to keep many big institutions on the sidelines. Fund managers, now opening their second quarter investment strategies, prefer to find stock in the form of rights issues rather than buying into shares which respond sharply to the slightest sign of institutional interest.

Once again yesterday there were signs of a trading programme in the equity market which appeared on the Seaq ticker only after trading had ended for the day. The programme involved a wide range of engineering stocks, as well as selected blue chip.

FT-SE 100 Index



Source: Datastream

The advance yesterday to a new closing peak for the FT-SE Index took the market into territory last seen at the beginning of 1990. This strong level was abandoned later that year in the face of a prolonged period of high interest rates and the market's early reaction to recessionary pressures on corporate profits. Last year's low point in equities came as tension heightened in the Middle East, and this year's recovery was touched off by the first hints that the Gulf war would be short.

Strong support for Calor

CALOR, the bottled gas producer, turned in one of the few good performances in an energy-sector battling against sell-recommendations, with the shares being given a push by Kleinwort Benson. The stock advanced 12 to 228p on turnover of 989,000, well ahead of usual levels.

Mr Philip Lambert at Kleinwort recommended the shares because of the recent sudden and sharp fall in propane and butane prices; propane and butane are feedstocks for Calor's gas.

Mr Lambert said prices for propane had dropped by 75 per cent over the past six weeks and for butane by 40 to 50 per cent. Calor would take advantage of current low feedstock prices, Mr Lambert added, to boost stocks.

Dealers said there were the ever-present suggestions in the market that SHV, the privately-owned Dutch investment group, might be about to add to its 44.2 per cent stake in Calor.

Inchcape advances

A good reception for Inchcape's annual results led to busy trading in the stock as the price climbed 25 to 344p. Turnover came to 1.8m. Mr Bob Carpenter of Kleinwort Benson said the buying reflected increased recognition of the group having overcome recessionary problems better than most and also "the exciting prospects" in store.

This, said Mr Carpenter, should lead to "explosive growth" in 1993, and he advised investors to increase weightings on the medium to longer view, but to be careful in the short term because of the recent strong rise in the shares.

Foods busy

J. Sainsbury was the main beneficiary of Tesco's 28 per cent rise in full year profits, *excluding* property gains, to £417m. The results were in line with forecasts, but analysts' responses to the figures were mixed and gave no clear guidance to fund managers.

Tesco's rise of 3 to 273p was a small underperformance of the market and reflected at least one large broker's suggestion that bulls of food retailing should buy Sainsbury instead.

Sainsbury is close to an eight-month low against its rival and climbed 13 to 363p. Trading in both companies was brisk.

ADT, the Bermuda-based conglomerate, continued to suffer from uncertainty over the outcome of legal action by its 28 per cent stakeholder Laidlaw, the Canadian waste disposal and transport company. ADT was 8 off at one point before ending at 87p, a decline on the day of 5.

Laidlaw has alleged in a New York court that ADT's chairman used inside information to sell a personal 5 per cent stake in BAA, the former British Airports Authority, announcing the move only hours before ADT told the markets it had sold a similar stake.

A buy recommendation for SmithKline Beecham from BZW helped the stock gain 14 to 786p. The broker contrasted the company's spread of risks with Glaxo's reliance on prescription drugs in general and a smaller number of products in particular. Glaxo firmed 7 to 1139p.

ICI spent most of the day in negative territory after cautious comment by the chairman concerning the resilience of some of the company's businesses. The stock was 11 off at worst and ended 4 lower on balance at 1061p.

S.G. Warburg recommended buying Wiggins Teape Appleton after the company's final results. The shares moved ahead 16 to 233p.

Kleinwort Benson pushed British Gas, which rose 8 to 247p on 7.9m shares. Kleinwort said Gas "looks cheap against other utilities and the market, which seems transfixed by regulatory concerns. Gas shares now discount even a blockbusting change to the pricing formula by Ofgas."

The rest of the sector was mostly restrained by the bearish stance adopted by Strauss Turnbull, the French-owned securities house.

The exploration and production stocks, poor performers in recent sessions, were highlighted by the weakness of Enterprise Oil, which fell to 571p before steadying to close a net 7 off at 575p.

The decline accompanied hints that the group might be about to launch a big rights issue to fund an acquisition. Enterprise's last rights offer was some two years ago when it raised £570m. ICI's placing of its 25 per cent stake last year absorbed a further £690m from the investment community.

A recommendation gave Courtaulds additional momentum. Hoare Govett trimmed this year's profits estimate but rated the stock undervalued and advised clients to buy for reliable growth.

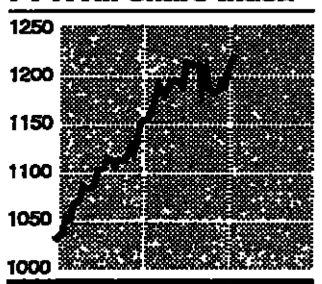
"Some recessionary effect is being felt in the aerospace and trade paint business in the US," said Hoare, "but the UK businesses are largely untouched." Stock shortages exaggerated the rise, finally up 17½ at 418p.

A squeeze on supplies of stock also helped British Aerospace to rise. The group intends to refinance short-term debt by a £150m issue of 17-year Eurobonds and, according to a trader, the move appeared to allay fears of a rights issue. Good demand was reported initially, but interest faded after the funding announcement to leave BAe 16 higher on the session at 648p.

A County NatWest buy recomendation helped to drive British Telecom 10 better to 359p on a turnover of 10m. County said UK institutions will need to buy 73 per cent of the government's remaining 49 per cent stake to maintain their weightings.

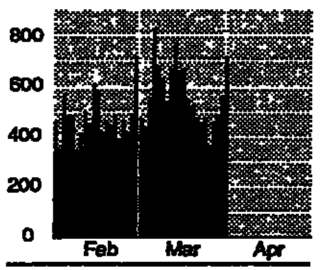
With private investors likely to be given the lion's share of the offer of BT's remaining shares, institutions will be starved of stock, County said, adding that Japanese institutions would also be buyers of the shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



■ Other Market statistics, including the FT-Actuaries share index, Page 19

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (301).
BRITISH FUNDS (10) Treas. 2pc IL 1996, Do. 2½pc IL 2001, Do. 2½pc 2003, Do. 2pc IL 2006, Do. 2½pc IL 2009, Do. 2½pc IL 2011, Do. 2½pc IL 2013, Do. 2½pc IL 2016, Do. 2½pc IL 2020, Do. 2½pc IL 2024, **AMERICANS (14)** Bell Atlantic, Chase Manhtn., Cont'l Bk., Data Gen., Gen. Elect., Gillette, Lowe's, Merrill Lynch, Molex, Morgan (JP), PHH, Pall, Rep. NY, Utd. Tech., **CANADIANS (4)** Can. Imp., Inco, Royal Bk. Can., Tor.-Dom., **BANKS (12)** ABN Amro, Banco de Santander, Abbey Natl., Bk. Of Scot. 9¼pc Prf., Brown Shipley, Fuji, Dai Ichi, Kyowa, Mitsui, Secure Tst., Sumitomo, TSB Chnl. Islnds., **BREWERS (7)** Anheuser-Busch, Fuller S.T.A., Grand Met., Guinness, Do. 5¼pc Prf., Do. 8¼pc Prf., Wolv. & Dudley, **BUILDINGS (8)** Baggeridge Brick, Baldwin, Barratt Dev., Beazer, Ball, Gleeson (M.J.), Lovell (Y.J.), Mowlem (J.), Newman-Tonks, **CHEMICALS (6)** BTP, Caird 7p Prf., Canning (W), Engelhard, Joyce, Porvair, **STORES (6)** Alexon, Coats Viyella, OS, T & S, Wensum, Wickes, **ELECTRICALS (28)** Ambassador, Astec (BSR), BICC, Borland, Br. Telecom, CML Microsystems, Delta, Lec Ref., Logica, MMT Computing, MTL Instrs., Micro Focus, Mitsubishi, Molynx, Nth. Telecom, Peak, Prestwick, Racal Telecom, SD-Scicon, Unitech, **ELECTRICITY (2)** Manweb, Sth. Wales, **ENGINEERING (10)** Ash & Lacy, Bristol Channel, Carclo, Chemring, Folkes, Glynwed, McKechnie, Meggitt, Senior, Triplex Lloyd, **FOODS (18)** Argyll, Banks (SC), Brake, Cadburys, Dairy Farm, Dalepak, England (J), Geest, M & W, Nestle (Br), Do (Regd.), RHM, Sainsbury (J), Shoprite, Tesco, Thorntons, Utd. Biscuits, Do. Wrrnts., **HOTELS (3)** Friendly, Ladbroke, Resort, **INDUSTRIALS (82)** AGA, Alumasc, Anglo Utd., BET, BSS, BTR Wrrnts., Do. Wrrnts '92-93, Do. Wrrnts '94-95, Bespak, Bowater, Do. 7.75pc Prf., Boxmore, Brammer, Br. Steel, CMB Pack., Capero, Cassidy, C'bell & Armstrong, China Light, Community Hosp., Courtaulds, Diploma, Dolphin, Dover, ECC, Elan, Electrolux, Fenner, Glaxo, Grampian, Hutch. Whampoa, Inchcape, Jardine Strat., Lilly (E), MB Caradon 7.25p Prf., MITIE, Magnolia, Marling, PCT, Pacer Sys., Pathfinders, Portmeirion Potts., Quotient, Reckitt & Colman, Reliance Sec., Sanders & Sidney, Scapa, Sec. Archives, Serco, Siebe, Smith & Neph., SmithKl. Beecham A, Do. Equity Units., Smiths Inds., Spring Ram, UDO, Unilever, Do. NV, Warner Howard, Waterford Wedgwood, Wellcome, Wilton, **INSURANCE (2)** Archer (A.J), Sturge, **LEISURE (8)** Airtours, Boosey & Hawkes, Campari, Euro Disney, First Leis., Intl. Resort, **MOTORS (4)** Central Mtr. Auctns., FR, Perry, Volvo, **NEWSPAPERS (6)** BPP, Bristol Eve. Post, Maxwell Comms., Quarto, Reed, Thompson, **PAPERS (18)** Aegis, CIA, Fitch, Gold Greenlees, Lopex, SCA B Free, Saatchi 6.3p Prf., Smith (D.S.), Stat-Plus, Waco 8pc Prf., **PROPERTY (6)** BDA, Land Lease, Lon. & Edin. 8⅞pc Prf., Marylebone, McKay, Slough 12¾pc Ln. 2009, **TEXTILES (6)** Courtaulds, Gaskell, Leeds, Tootal, Toray, **TOBACCOS (1)** Rothmans B, **TRANSPORT (6)** Hays, Interlink Exp., Ocean, P & O Defd., Sea Contnrs., Tibbett & Britten, **TRUSTS (71)** Abtrust New Dawn, Abtrust New Thai, Anglo & O'seas, Archimedes, Baillie Giffd. Jap., Bankers, Biotech. Prf., Caledonia, Carlisle, China & East Wrrnts., City & Com. Cap., Danae, Derby, Drayton Asia, Drayton Far East, Do. Wrrnts., Eng. & Scot., Eng. Natl. Defd., Exmoor Dual Prf., F & C Ent., F & C Pac. Wrrnts., Fidelity Jap. OTC, Five Arrows Chile, Flmg. Amer., Do. Cnv. 1999, Flmg. Far Eastn., Flmg. High Inc. Wrrnts., Flmg. Intl. High Inc., Flmg. Japnse., Flmg. O'seas., GT Chile Wrrnts, Gt Japan, Genesis Emrg. Mkts., Govett Atlnc., Govett Orntl., Greyfriars, INVESCO MIM, Do 9pc '95-2000, JF Fldg. Japan, JF Pacific Wrrnts., Jersey Phoenix, Jove, Lancs. & Lon., Leveraged Opptny., M & G Dual Inc., Martin Currie Pac., Do Wrrnts., Mezzanine C & I, Overseas, Pac. Assets, Do. Wrrnts., Pac. Prop., Riv. & Merc. Ex., Riv. Plate, SPLIT Inc., Scot. Cities A, Scot. Natl. Inc., Do. Stppd. Prf., Do. Zero Prf., Scot. & Merc., Second Mkt., Secs. Tst. Scot., Sphere Zero Prf., St. Davids Cap., TR Far East Inc., TR High Inc., TR Pac., Templeton Emrg., Do. Wrrnts., Throgmorton Dual Inc., Tor Inc., **WATER (1)** Yorkshire, **OILS (3)** Bridge, Pittencrieff, **MINES (8)** Beatrix, Greenwich Res., Ivernia West, Kenmare, Normandy Res., Nth. Brkn. Hill Peko, RTZ, Winkelhaak.
NEW LOWS (18).
STORES (1) Upton Sthrn., **ENGINEERING (1)** Cronite, **FOODS (1)** Lees (J.J), **INDUSTRIALS (4)** Hay (N), Maxiprint, Nu-Swift, Wyndham, **LEISURE (1)** BCE, **NEWSPAPERS (1)** Sterling Publs., **PROPERTY (3)** Cussins, Eng. & O'seas, Walerglade, **OILS (1)** Cairn Energy, **MINES (5)** Cluff Oil Wrrnts, East Rand, Harmony, Randfontein, Stilfontein.

FINANCIAL TIMES STOCK INDICES

	Apr 3	Apr 2	Mar 28	Mar 27	Mar 26	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.35	85.09	85.03	84.80	84.57	77.25	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.70	94.60	94.53	94.45	94.04	86.17	94.70 (3/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2014.2	1985.9	1953.9	1965.9	1943.2	1749.7	2014.2 (3/4)	1606.3 (16/1)	2014.2 (3/4/91)	49.4 (26/6/40)
Gold Mines	137.4	138.2	138.4	139.0	141.1	257.4	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2519.1	2488.3	2456.5	2464.6	2437.6	2231.6	2519.1 (3/4)	2054.8 (16/1)	2519.1 (3/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1164.84	1148.11♦	1137.06	1136.83	1121.76	-	1164.84 (3/4)	938.62 (16/1)	1164.84 (3/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.80	4.86	4.94	4.91	4.98	5.10				
●Earning Yld %(full)	8.89	8.80	8.94	8.90	9.02	12.13				
●P/E Ratio(Net)(☆)	14.18	14.00	13.78	13.84	13.67	9.96				
SEAQ Bargns 4.45pm	56,978	39,408	44,540	42,946	40,662	35,200				
Equity Turnover(£m)†	-	1183.74	1038.03	983.52	1003.66	873.19				
Equity Bargains†	-	45,958	46,693	43,611	41,187	38,130				
Shares Traded (ml)†	-	715.7	586.2	492.6	455.7	476.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.70 ♦Corrected

Ordinary Share Index, Hourly changes Day's High 2021.3 Day's Low 2010.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2017.0	2017.9	2012.8	2020.8	2019.8	2020.1	2020.5	2016.9	2014.6

FT-SE 100, Hourly changes Day's High 2526.9 Day's Low 2515.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2524.1	2526.1	2517.2	2526.5	2524.2	2524.7	2524.8	2522.2	2516.8

FT-SE Eurotrack 200, hourly changes Day's High 1166.18 Day's Low 1160.62

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1160.62	1161.74	1164.68	1164.60	1165.20	1164.29	1163.86

GILT EDGED ACTIVITY

Indices*	Apr 2	Mar 28
Gilt Edged Bargains	80.6	83.0
5–Day average	85.7	91.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	6,200	87	-5	Dalgety	810	375	+8	Manweb	676	238	+11	Smith (W.H.) A	867	375	+11
ASDA Group	4,800	129	+3	Dixons	1,700	187	+6	Marks & Spencer	9,700	247	+5	Smith & Nephew	2,800	129¼	+½
Abbey National	3,100	278		ECC Group	619	431	+11	Maxwell Comms.	2,600	183	+4	SmKl Beecham	2,500	786	+14
Albert Fisher	3,300	125		Eastern Elect.	2,800	173	+7	Midland Bank	3,400	208	+2	SmKl Beecham Uts.	232	3433	+60
Allied-Lyons	1,600	518	-5	East Midland Elect.	1,100	187	+7	Midlands Elect.	1,100	178	+5	Smiths Inds.	788	286	+1
Amstrad	2,100	81	+2	Enterprise Oil	873	575	-7	NatWest Bank	3,900	342	+4	Southern Elect.	1,600	177	+3
Anglian Water	727	301	+7	Eurotunnel Units	1,000	503	+13	National Power	12,000	135	+2½	South Wales Elect.	868	252	+11
Argos	638	207	+5	FKI	2,400	66		Next	2,900	27½		South West Water	217	301	-1
Argyll Group	4,800	298	+2	Ferranti	4,200	12½	-1½	North West Water	2,800	293	+8	South West. Elect.	704	187	+6
Ass. Brit. Foods	358	482	+4	Fisons	2,200	485	+6	Northern Elect.	651	187	+5	Southern Water	604	270	+1
BAA	2,400	428	+4	Gen. Accident	911	571	+11	Northern Foods	291	436		Standard Chartd.	1,100	386	+18
BAT Inds.	2,200	722	+12	General Elect.	8,800	207	+4	Norweb	641	193	+8	Storehouse	2,900	118	+5
BET	3,290	174	+2	Glaxo	3,000	1139	+7	Pearson	577	780	+11	Sun Alliance	1,400	387	+5
BICC	687	485	+14	Glynwed Intl.	1,600	282	+1	P & O	1,000	624	+5	T&N	1,000	189	+3
BOC	1,400	684	+16	Granada	1,000	183	+2	Pilkington	2,900	186		TI Group	212	542	+4
BPB Inds.	9,000	233	+2	Grand Met.	5,000	831	+12	PowerGen	11,000	131½	+1½	TSB	2,900	158	+3½
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	632	301	+12	Inchcape	2,000	344	+25	Redland	1,500	[illegible]	+9	Utd. Newspapers	486	372	+7
BP	10,000	391	-2	Kingfisher	1,700	492	+6	Rolls Royce	4,800	165		Water Package Uts.	2	£3018	+60
British Steel	5,100	147	+1	Ladbroke	3,080	298	-2	Rothmans	380	864	+24	Wellcome	908	538	+8
British Telecom	10,000	359	+10	Land Securities	1,100	547	+5	Ryl Bk Scotland	6,100	195	+1	Welsh Water	532	344	+8
Bunzl	5,100	99	+2	Laporte	252	587	-1	Royal Insurance	2,100	489	+11	Wessex Water	357	373	+15
Burmah Castrol	706	592	+4	Legal & General	1,300	489	+3	Saatchi	15,000	18¼	+2	Whitbread 'A'	1,600	401	-4
Burton	3,100	105	+4	Lloyds Abbey	1,300	429	+4	Sainsbury	3,200	363	+13	Wiggins Teape	4,500	233	+16
Cable & Wire.	7,800	520	+5	Lloyds Bank	3,600	351	+8	Scottish & New.	1,500	378	-2	Williams Hldgs.	2,500	293	+2
Cadburys	1,900	398	+7	LASMO	1,100	347		Sears	2,400	93	+2	Willis Corroon	1,500	315	+1
Calor Group	989	228	+12	London Elect.	1,700	178	+5	Sedgwick	2,100	268	-5	Wimpey	680	217	+1
Carlton Comms.	1,200	475	+12	Lonrho	2,800	282	+3	Seeboard	478	178	+5	Yorkshire Elect.	1,300	204	+7
Coats Viyella	1,400	183	+5	Lucas	1,809	188	+3	Severn Trent Water	1,500	282	+4	Yorkshire Water	1,200	321	+3
Comm. Union	975	530	+9	MB Caradon	4,100	208	+3	Shell Transport	4,400	483	-4				
Cookson	1,200	188	+4	MEPC	341	594	+8	Siebe	542	435	-2				
Courtaulds	1,508	418	+17½	Manpower	204	72½	+½	Slough Ests	320	245	-1				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Thursday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE FUTURES and options markets played a less significant role in yesterday's share dealings, and the Footsie future held back the underlying market in late dealings when a seller moved into the derivatives sector. Traders said business in the futures contract was fairly calm, with the equity marketmaking firms appearing significantly less aggressive than in the previous session.

The session opened promisingly, with the June futures contract on the Footsie showing a premium of about 14 points against the fair value estimate. However, this improvement on the previous day's premium was whittled away later and then cut back sharply when one large seller took a hand. By the end of the day the premium had been trimmed to about 8 points against fair value.

Traded options volume increased to 32,136 contracts from the 16,146 of the previous day. British Telecom was the most active, trading 2,275 contracts of which 1,227 were calls. BZW dominated telecom trading, selling 1,000 November 360 calls and 1,000 November puts. Traders took this as a message that the client expects the share price to move within a narrow range over the next few months.

Other active contracts included Asda, with 1,225, made up entirely of call deals.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅜	98¼	Funding 5¼pc '87-91‡‡	99⅜xd	.....	5.78	
99⅛	97⅛	Treas. 3pc 1991	99⅛	.....	3.03	[illegible]
99⅝	98⅝	Treas 10pc Cv '91‡‡	99⅝	.....	10.05	[illegible]
99⅝	99⅛	Exch. 11pc 1991	99⅝xd	.....	11.02	[illegible]
98⅛	96⅝	Treas. 8pc 1991	98	.....	8.16	[illegible]
101¼	100⅝	Treas 12¾pc 1992‡‡	101⅛	.....	12.58	[illegible]
99⅝	97⅝	Treas 10pc 1992	99¼	.....	10.08	[illegible]
97⅝	95⅝	Treas. 8pc 1992‡‡	97⅝xd	+⅛	8.22	[illegible]
99⅝	98½	Treas 10½pc Cv 1992‡‡	99⅝xd	+⅛	10.52	[illegible]
93½	91⅛	Treas. 3pc 1992	93½	.....	3.21	[illegible]
102⅛	100¼	Exch. 12¼pc '92	102	.....	12.01	[illegible]
104¼	*102⅝*	*Exch 13½pc 1992*	*103⅝*	+⅛	*12.99*	[illegible]
96⅛	94	Treas 8¼pc 1993	96⅝	+⅛	8.55	[illegible]
99⅝	97⅛	Treas 10pc 1993‡‡	99½xd	+⅛	10.05	[illegible]
104⅝	102¾	Treas 12½pc 1993‡‡	104⅛	.....	11.97	[illegible]
92⅝	89⅝	Funding 6pc 1993‡‡	92⅝	+⅛	6.49	[illegible]
108⅛	105⅝	Treas 13¾pc 1993‡‡	107⅝	+⅛	12.76	[illegible]
96	92⅝	Treas. 8½pc 1994	95⅝	+⅛	8.87	[illegible]
111⅛	108⅛	Treas 14½pc 1994‡‡	110⅝	+⅛	13.11	[illegible]
109	105⅝	Exch 13½pc 1994	108½xd	+⅛	12.44	[illegible]
99⅝	96⅝	Treas. 10pc Ln. 1994‡‡	99⅛	+⅛	10.04	[illegible]
106⅝	103⅝	Exch. 12½pc 1994	106⅛	+⅛	11.74	[illegible]
96⅝	93¼	Treas 9pc 1994‡‡	96½	+⅛	9.33	[illegible]
106⅛	102⅛	Treas 12pc 1995	105⅝	+⅛	11.36	[illegible]
84½	82¼	Exch 3pc Gas 90-95	84½xd	.....	3.55	[illegible]
100⅝	96⅝	Exch. 10¼pc 1995	100⅛	+⅛	10.23	[illegible]
109⅝	105⅝	Treas 12¾pc 1995‡‡	109⅛	+⅛	11.69	[illegible]
113⅝	109⅝	Treas. 14pc '96	112⅝	.....	12.40	[illegible]
96⅝	92⅝	Treas. 9pc 1992-96‡‡	96⅝	+⅛	9.32	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
119⅝	115⅝	Treas 15¼pc 1996‡‡	118½xd	+⅛	12.86	[illegible]
112¼	108	Exch 13¼pc 1996‡‡	111⅛	+⅛	11.93	[illegible]
100⅛	95⅝	Conversion 10pc 1996	99⅛	+⅛	10.07	[illegible]
100⅛	97⅝	Do. 10pc 1996 A	99⅛	+⅛	10.25	[illegible]
113⅝	108⅝	Treas 13¼pc 1997‡‡	112⅝	+⅛	11.79	[illegible]

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
48⅛	37⅝	CPC Intnl. 25c	47⅜xd	+1¼	$2.00	–	2.3
717p	420p	California Engy	711p	-6	–	–	–
45⅝	28¼	Campbell Soup 15c	45⅛xd	+1⅛	$1.16	–	1.4
9	5⅛	Chase Manhattan $12½	9xd	+1	$1.20	–	7.5

CANADIANS

Continued on next page

APPOINTMENTS

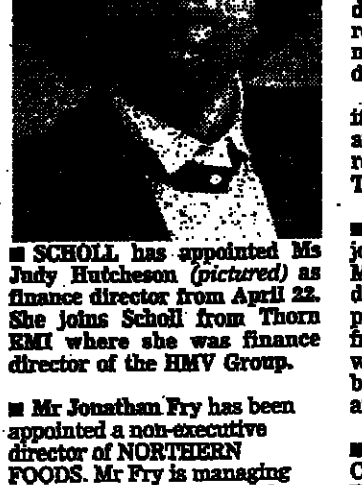
Senior posts at BZW subsidiary

■ Mr John Cousins, managing director of BZW Equities, is joining BZW's French subsidiary. Appointed deputy managing director of BZW Puget Mahé, Mr Cousins is to become managing director when Mr Michel Puget, chairman, and Mr Jean Mahé, managing director, retire in June. Mr Yves Mahé, deputy chairman, will then become chairman. Both Mr Michel Puget and Mr Jean Mahé will continue as non-executive directors and consultants.

Mr Stephen Moir, a director of BZW International Equities, will join BZW Puget Mahé to develop international sales.

■ The Stewart Milne Group has appointed Mr Gordon Cochrane as managing director of group development company HEADLAND PROPERTIES. He takes over from Mr Hamish Milne, who will now devote his time to his position with the group board where he is director and company secretary. Mr Cochrane joins from Bredero where he was a director of Bredero Projects, Bredero Homes and a divisional director of Bredero Properties.

■ FRESHFIELDS has appointed Mr Michael Conlon, a barrister and former tax partner at Coopers & Lybrand Deloitte, to develop the firm's indirect taxes practice.



■ SCHOLL has appointed Ms Judy Hutcheson *(pictured)* as finance director from April 22. She joins Scholl from Thorn EMI where she was finance director of the HMV Group.

■ Mr Jonathan Fry has been appointed a non-executive director of NORTHERN FOODS. Mr Fry is managing director of Burmah Castrol. Mr Kurt Haslinger is to retire as a non-executive director at the annual meeting in July.

■ Mr Stanley Davis has become chief executive of REGIS REGISTRARS, a share registration service, following his acquisition of the company. He was chairman of Stanley Davis Company Services.

■ Following the recent announcement of the PENTAX European reorganisation involving Pentax U.K. directors, three new directors have been appointed to the board of Pentax U.K.

Mr Brian Light becomes sales director with responsibility for the sales personnel of the photographic, industrial and information technology divisions; Mr David Cowperthwaite as marketing director assumes corporate responsibility for the marketing areas of the divisions.

The medical division has its own personnel structure and will become the responsibility of Mr Brian Taylor as its director.

■ Mr Stephen LeBeau has joined YAMAZAKI MACHINERY UK as sales director and will take up his position on May 1. He joins from Bridgeport Machines where he held a number of board level positions in sales and marketing.

■ HUNTERPRINT GROUP, Corby, has appointed Mr Richard Ainsworth-Morris as group financial controller. He was group accounting manager at Williams Holdings.

■ Mr Graham Young has been appointed managing director of T.S. PRINTWAY, a subsidiary of Wentworth International Group. He was a consultant to Smurfit Cartons and other companies in the packaging industry. He succeeds Mr Luke Taylor, group sales director.

■ Mr Philip Rimell and Mr Colin Ring have been appointed managing directors of DURLACHER WEST. Mr Rimell was with W.I. Carr Overseas, and County NatWest; and Mr Ring was with Baring Securities and Sassoon (UK).

■ EVERED BARDON, the quarry products group, has appointed Mr David M. Kaye as group company secretary. Mr Kaye, formerly group commercial manager, succeeds Mr Tim Grimes who is leaving the company to pursue other business interests.

■ OPTICAL AND MEDICAL INTERNATIONAL has made Mr Gilbert Williams *(pictured)* its chief executive. Mr Williams joined the board of OMI in September 1989 as chief operating officer and has since been responsible for initiating an in-depth strategic review of all group activities.

LONDON SHARE SERVICE

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£11¾	£9	ABN Amro Fl5	£11¼	+⅛	Q30%		4.1	
151	121	ANZ $A1	147	-1	Q38c	1.4	11.3	4.7
283	211	Abbey National 10p	278		9.5	Q3.0	4.6	9.7
183	126	Allied Irish Ord	179	+5	10.40%	3.3	5.0	8.1
65	53	Anglo Irish	60		Q8.6%	2.3	7.0	7.9
60	38	Ansbacher (H.) 1p	38		1.5	0.3	5.3	—
£55	£42	Bancaire Cie Fr100	£51¼	+2	Q15%		3.0	—
£17¾	£12¾	Banco Bilbao Vz	£17½		Q49.1%	2.7	4.7	7.9
£30¾	£21¾	Banco de Santander	£30½	+1¼	Q38.7%	2.3	4.0	10.7
208	139	Bank Ireland Ir£1	203	+4	Q14.7%	2.9	6.5	7.1
£19½	£19½	Bank Leumi	£19½					—
350	350	Bank Leumi (U.K.)£1	350		16.0		6.1	—
145	111	Bank Scotland	139	-1	4.55	3.4	4.4	8.9
110	96½	Do. 9¼pc Irrd Pf £1	105½	+½	9¼%		11.7	—
109½	99½	Do. 9¾pc Irrd Pf £1	109½	+½	9¾%		11.9	—
43	35	Bank of Wales	43		2.8	0.8	8.7	(20.7)
489	327	Barclays £1	463	+6	21.15	1.1	6.1	19.3
12	9	Beachmark 20p	10		0.75		10.0	—
250	195	Brown Shipley £1	250	+5	12.0	2.2		8.1
464	384	Cater Allen £1	462		F24.5		7.1	—
44	36	Chancery	36		49.0	2.7		1.4
£185	£15	Commerzbk DM10	£18¼	+¼	Q18%		3.4	—
£21¾	£19	Deutsche Bk DM50	£21¾	+4	Q28%		2.2	—
£9¾	£7	Dai Ichi KBk Y50	£9¾	+¼	Q17%	6.2	0.3	46.7
£18¾	£16	Espirito Santo	£18¼	-¼	Q75c	5.1	2.3	8.4
213	152	First Nat. Fin. 10p	207	+4	13.0	1.2	8.4	(02.3)
110	78	FNFC 6.3pc Cr. Pf £1	107	+1	6.3%		7.9	—
1097	867	Fuji Bank Y50	1097	+43	Q17%	6.9	0.3	46.7
355	303	Gerrard & National	348	-3	19.0		7.3	—
78	50¼	Guinness Mahon 10p	51		1.45		3.8	—
302	204	Hambros 20p	283	+3	11.5		5.4	—
125	90	Do. 7.5pc Cr Pf £1	117		7½%		8.5	—
44½	29½	HK & Shang. HK$2.50	44		Q38.18c		6.3	—
413	378	Joseph (Leo) £1	408		15.85		5.2	—
153	121	King & Shaxson 20p	152	-1	10.25		9.0	—
377	249	Kleinwort Benson Grp	341	+4	16.0		6.3	—
484	382	Kyowa Bk Y50	484	+10	Q14%	3.8	0.6	45.8
379	268	Lloyds £1	351	+8	15.3	1.6	5.8	14.4

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
80	50	ABI Leisure 10p. β	80		3.1	4.4	5.2	5.5
£7¾	£5¼	DAF N V: Fl5	£7¼	+¼				
10	7	General Mtrs Units	10		Q12½%	–	6.4	–
14	9	March Group 5p β	14		–			
£133¼	£101	Volkswagen DM50	£125¼	+2½	Q22%	3.5	3.0	9.8
£39½	£18	Volvo AB 'B' Kr25	£38½	+1	Q52%	♦	4.6	♦

Commercial Vehicles

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
158	113	ERF (Hldgs) β	154	+1	‡10.0	1.6	‡	9.4
73	48	Plaxton Grp β	58xd	+1	4.5	♦	10.5	♦

Components

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
468	453	Abbey Panels	468	.....	3.5	10.8	1.0	12.4
140	129	Airflow Streamlines β	139	.....	6.0	3.0	5.8	7.7
147	140	Bostrom 5p β	143	.....	†5.75	3.1	5.4	6.5
196	145	Dowty 50p α	184	+1	†9.0	2.1	6.5	8.8
178	115	FR Group α	178	+5	6.37	3.1	4.8	9.1
120	69	Kwik-Fit Hldgs. 10p α	104	–2	2.75	♦	3.5	♦
173	125	Lucas Inds α	168xd	+3	7.0	2.2	5.6	9.5
36½	18	Do. Warrants α	34½	+1	–	–	–	–
60	47	Mid-States 10p β	54	+1	‡20.75	–	1.7	37.1

Garages and Distributors

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
24	14	Alexanders 10p β	19	–1	1.0	3.4	7.0	5.2
110	60	Appleyard 10p β	95xd	–1	7.8	♦	10.9	♦
80	65	Blanchley Motor 20p β	80	.....	†7.5	1.9	12.5	5.7
405	358	Caffyns 50p β	363	.....	11.5	1.0	4.2	(33.1)
111	88	Central Motor Auctns β	111	+1	3.5	2.7	4.2	10.6
38	15	Cook (D.C.) Hldgs 5p α	25	.....	1.0	5.3	5.3	4.7
92	36	Cowie (T.) 5p α	81	+2	3.7	1.7	6.1	11.3
105	76	Dagenham Motors 10p β	105	.....	†5.25	2.8	6.7	7.3
91	70	Davenport Vernon 10p β	88	+1	4.0	2.4	6.1	9.0
229	158	Evans Halshaw β	219xd	.....	11.25	♦	6.8	♦
78	65	Gates (F.G.) β	65	.....	2.75	1.9	5.6	12.2
46	28	Gowrings 10p β	40	.....	5.63	1.0	18.8	6.9
45	44	Jacks Wm β	44	.....	‡2.0	1.0	‡	21.6
[illegible]								

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
195	114	Grainger Trust β	193	.....	5.25	2.0	3.6	18.3
255	206	Gt. Portland 50p α	248	+7	†9.0	1.5	5.0	18.0
£118	£98	Do 9½pc Cv Ln 2002 γ	£113	+2	Q9½%	–	8.4	–
90	70	Green Property Ir25p γ	90	.....	Q20.6%	1.7	5.1	15.8
397	323	Greycoat 10p α	365	+12	5.2	3.9	1.9	15.7
70	44	Hambro Countrywide 5p α	56	+3	0.05	–	0.1	–
685	576	Hammerson "A" α	625	+5	19.5	1.3	4.2	(21.7)
78	48	Hanover Druce 10p β	58	.....	‡2.0	–	‡	–
225	123	Hardanger Prop 10p β	123	.....	d16.88	2.8	18.3	2.4
220	127	Helical Bar 5p β	198	+9	10.0	4.0	6.7	4.9
71	49	Do. 5¼pc Pf 2012 £1 γ	69	+2	5¼%	–	10.1	–
180	150	Herring Son & Daw 10p β	178	.....	†5.75	3.3	4.3	9.5
62	46	HK Land Hldgs 10c	61	.....	Q8.25c	♦	7.8	♦
10	5½	HNOGO 10p α	9	.....	–			
250	225	Jermyn Invest	225	.....	3.0	16.9	1.8	4.4
565	508	Land Securities £1 α	547	+5	†17.0	1.6	4.1	20.0
£91½	£85½	Do. 10pc 1st Mt Deb 2025 γ	£91½	.....	Q10%	–	11.0	–
£91½	£84½	Do. 10pc 1st Db 2030 γ	£91½	.....	Q10%	–	11.0	–
655	537	Lend Lease 50c	655	+22	grQ60c	1.6	4.1	15.7
£95	£85½	[illegible] 10½pc Deb 2012	£94	.....	Q10½%	–	10.9	–
80	70½	[illegible]	80	+1	8.88%	–	14.8	–
83	68	Lon Merchant α	82	.....	3.4	2.1	5.5	11.6
36	27	Do. Dfd β	32	–1	–			–
£90½	£80½	Do. 7¾ pcCv 2000-05 γ	£87½xd	+1	Q7¾%	–	8.9	–
8	2½	Lndn & Mirplan 5p α	3½	.....	†6.65	2.9	‡	0.2
20½	11	Lon. Securities 15p α	14½	–½	‡1.5	4.8	‡	1.9
53	38	Do. 8¼ pc Net Cv Pf γ	38	.....	8.25	–	28.9	–
556	478	MEPC α	534	+9	19.0	1.6	4.7	16.6
43	26	Markheath α	40	–1	6.0	1.4	20.0	4.7
17	11	Marylebone Ests 5p α	17	+1	‡3.0	1.4	‡	4.0
30	13	McInerney 10p γ	15	–2	‡Q4.7%	–	‡	–
165	130	McKay Secs 20p β	163	.....	†5.8	1.9	4.7	14.7
5	3½	Merchant Mnf. Ests α	4½	.....	‡1.0	–	‡	–
240	193	Merivale Moore 5p β	233xd	.....	10.5	2.9	6.0	7.4
8	2	Merlin Intl Props	5	.....	♦	–	–	–
31	18	Mickl[illegible] Grp 1p β	23	.....	L2.25	3.4	13.0	2.7
35	28	Molyneux Ests β	29	.....	20.5	–	2.3	–
49	28	Moorfield Estates 10p β	45	.....	2.4	1.7	7.1	10.9
100	59	Mountleigh α	81	.....	4.75	–	7.8	–
64	42	Do. 5.25pc Cnv Pf £1 γ	58	.....	5.25%	–	12.1	–
1080	815	Mountview Ests. 5p β	1010	+5	†11.5	9.5	1.5	8.6
17	10	Mowat Group 10p α	15	.....	0.5	0.5	4.4	–
123	104	Mucklow (A. & J.) α	115	.....	†5.13	1.3	6.1	16.4
43	41	New Cavendish 5p β	43	.....	–	–	–	9.0
12	8	New Eng. Props 5p α	10	.....	1.0	1.3	13.3	7.1
13	7½	Ossory Estates 5p α	11½	+½	Fd0.85	0.2	9.6	–
[illegible]								

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubber, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
4	2½	♥Crosus Mining N.L.	3	....	–	–	–
24	17	♥Delta Gold 25c	23	+1	–	–	–
37	28	♥Dominion Mining	34	–1	†Q4c	7.8	5.3
15	11	Doral Resources	14	....	Q1c	–	3.1
3	1½	♥Dragon Mining	2	..	n–	–	–
28	20	♥Emperor Mines	25	....	–	–	–
4	2	♥Endeavour 20c	4	....	–	–	–
30	19½	♥GM Kalgoorlie 5c	23	–½	–	–	–
35	29	♥Gwalia Cons. 20c	35	+2	Q8c	1.6	10.0
[illegible]							
46	40	Kells Mins. Ir5p γ	42	+2	–	–	–
25	9	Kenmare γ	24	+½	–	–	–
17	15	Navan Resources γ	15	.....	–	–	–
13	7	♥New Sabina Res C$1	8	.....	–	–	–
99	52	Northgate Expl. C$1	88	+½	–	–	–
16	10	North West Expln	12	.....	–	–	–
10¼	2¼	♥Nor-Quest Res	8	.....	–	–	–
122	82	Oryx Gold Hldgs	102	–1	–	–	–
23	11	Ovoca Gold IR 2p γ	21	–2	–	–	–
44	39	Plateau Mining 20p β	40	.....	–	–	–
570	404	RTZ 10p α	569xd	+11	19.5	q2.1	4.6
10	3¼	♥Thorco Res. Inc.	8	+1	–	–	–
10	7	Vizcaya Hldgs 5p β	7	.....	–	–	–
133	126	Young Group 10p β	126xd	.....	5.2	♦	5.5

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¤ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	650	.....
Finlay Pkg. 5p β	31	.....
Holt (Jos) 25p β	1604	+14

IRISH

Cap. 8½% Ln. 1991	£99⅝	.....
9pc Cap Ln. 1996	£97½	.....
Fin. 13% 97/02	£114½	.....
Arnotts	175	.....
Carrol (P.J.)	154	.....
Helton Hldgs γ	52	.....
IRG	168	.....
United Drug	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Aztec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	25
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

[illegible]

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	47.93	48.26	51.33	—	5.13

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlgs 031-220 4924

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	98.52	98.52	104.5	+1.7	1.10
Income & Growth	5¼	62.37	63.41	67.31	+1.36	4.57
European (z)	5¼	54.85	54.85	58.22	+0.43	1.33
Nth American (z)	5¼	37.02	37.02	39.29	+0.51	1.33
Intl Growth(4-1)	5¼	63.07	64.36xd	68.32	+1.85	0.86
UK Growth	5¼	56.39	57.75	61.30	+2.36	2.33
Intl Income	5¼	47.83	48.36xd	51.33	+0.41	6.56
High Yield	5¼	45.87	46.56xd	49.42	+0.75	6.98
Charities	5¼	92.47	93.82	99.59	+1.54	5.62
Japan	5¼	40.75	40.75xd	43.25	+0.92	—

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth (4-1)	6	68.55	69.88xd	74.74	+1.68	3.30
UK High Income	6	35.47	35.96xd	38.46	+0.70	5.25

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	92.39	93.91	99.90	+1.78	3.73

NM Unit Trust Mngrs (1200)H
The Stilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5¼	31.62	31.73	33.84	+0.38	1.51
(Accum Units) ♥	5¼	33.84	33.96	36.22	+0.41	1.51
Australian ♥	5¼	167.60	168.60	180.90	+1.30	3.03
(Accum Units) ♥	5¼	188.80	190.00	203.80	+1.50	3.03
Conscience	5¼	51.81	52.65	56.18	+0.97	1.39
(Accum Units)	5¼	54.34	55.21	58.92	+1.02	1.39
European	5¼	140.70	142.40xd	151.80	+1.58	1.03
(Accum Units)	5¼	149.20	151.00	161.00	+1.50	1.03
Extra Income	5¼	66.24	67.16xd	71.67	+1.00	8.53
(Accum Units)	5¼	90.04	91.29	97.42	+1.36	8.53
Far East Gth Acc	5¼	112.50	114.50	122.30	+0.40	0.26
Gilt & F.I.	5¼	51.16	51.16	54.15	+0.08	9.25
(Accum Units)	5¼	107.70	107.70	113.90	+0.10	9.25

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Swiss Life Unit Tst Man Co Ltd (1200)F

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Allied Dunbar Assurance Plc—Contd.

City of Westminster Assurance (z)

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Guardian Royal Exchange—Contd.

Liberty Life Assurance Co Ltd

Merchant Investors Assurance Co Ltd—Contd.

TSB Unit Trusts (1200)H

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

CMI Insurance Co Ltd - Contd.

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Fidelity International Ltd

Flemings Life Assurance Co Ltd

Friends Provident International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

MEL Britannia International Ltd

Teachers' Assurance Company Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bryan Walls & Partners Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Reis Ltd

Gartmore Fund Managers Ltd

Huntminster Financial Services (Pty) Ltd

I.P.S. Lazard plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Dowie F.S. Ltd

Northam Bingo & Partners

PSR Fund Management Ltd

Pendleton Way Financial Services Ltd

Rushborough Financial Management Ltd

Sharp (Albert E) & Co.

Siltale Fund Managers Limited

Tattersall Investment Mngt. Ltd

Terry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Grofund Invest Managers (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Guernsey) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Flpart-Conell Fund Mngrs (Guernsey) Ltd

John Govett Management International Ltd

Hambros Fund Managers (CI) Ltd

Havelet Threadneedle Mngmt (Guernsey)

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

FT MANAGED FUNDS SERVICE

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U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares	$754.08		...	-
Fixed Income Shares	3678.96		...	-

Yamaichi Capital Mangmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Mela Growth	$11.17		+0.18	-
Yamaichi ESS Fund	$8.15		+0.16	-
Yamaichi CB Plus Fund	$8.66		+0.13	-
Thai Inv Fund	$11.55		...	-

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (u)
29 Kildare Street, Dublin 010 353 1760 630

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Universal US Dlr Acc		$-	111.02		+1.86	-
GAM Universal US Dlr Inc		$-	111.02		+1.86	-
GAM Universal DM Acc		DM-	117.46		+5.29	-
GAM Universal DM Inc		DM-	117.46		+5.29	-

MI Global Asset Mangmt Co Ltd "MI Trusts"

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MI Global Dollar		$-	0.99	1.06	+0.01	-

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Global Scap.	$9.86	10.16xd	...	-
European Bond	[illegible]	[illegible]	...	-
Gonester Portfolio				
EquityAmerica	$11.25	11.94	...	-
EquityEurope	$9.69	10.28	...	-
BondAmerica	$10.35	10.98	...	-
BondEurope	$9.55	10.14	...	-
BondJapan	$9.88	10.49	...	-
World Inv Trust	$10.83	11.49	...	-
Opportunity Europe	$11.28	11.97	...	-

Baring International Fd Mngrs (Ireland) Ltd

INVESCO MIM International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Jersey Gilt (2)	5¼	0.1717	0.1717	0.1809	[illegible]	9.12

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	2½	9.346	9.361xd	9.606	[illegible]	11.45

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 37788

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	6	103.71	103.71	109.96	.....	0.00
Gilt	3	91.76	91.76xd	94.63	+0.24	10.57

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 76077

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	55.33	55.33xd	57.79	(z)	11.25

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494
TSB Offshore Investment Fund Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	102.92	101.32xd	104.36	-3.26	12.15
Gilt & Fixed Interest	5	101.74	101.74xd	104.79	-1.82	11.63
Blue Chip & Gtr Egwh	5	49.13	49.13xd	52.39	-0.56	5.94
International Bond	5	106.64	106.64xd	111.99	-5.32	7.52
UK Equity	5	101.56	101.56xd	109.70	+1.19	1.62
International Equity	5	106.27	106.27xd	113.59	+0.79	0.43
Far Eastern	5	95.78	95.78	102.41	+1.14	0.00
European	5	86.05	86.05	91.01	-0.10	0.42
Pan American	5	102.37	102.37	108.78	+1.34	0.79
TSB Gilt Fund Ltd						
Quarterly Share	3	95.85	95.85xd	98.87	-2.60	10.82
Monthly Share	3	95.59	95.59xd	98.58	-0.77	10.85

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Currencies await Bundesbank

THE CURRENCY markets were calm yesterday as investors waited for the German Bundesbank council meeting today and tomorrow's release of the latest US jobs figures. After opening lower, the dollar spent the rest of the London session trapped in a narrow range, while other currencies also paused for breath.

The dollar's weakness of the last three trading days has led many analysts to believe that the US currency may now be entering a period of consolidation, following the sharp rise at the end of the Gulf war.

The US currency's decline on Monday when the European markets were closed for the Easter holiday was initially explained as a technical movement. But many foreign exchange dealers now believe it was an indication that the dollar's advance had run out of steam.

Underpinning the US unit yesterday was a dampening of expectations of a rise in German interest rates. The Bundesbank injected more liquidity into the German credit markets than had been anticipated and this caused a weakening in Frankfurt money rates and an easing in the mark.

An increase in German rates seemed to be even less likely after the Bundesbank announced that it would not be holding a press conference after its meeting.

The mark closed at Y82.31 against Y82.80; to FFr3.3900 from FFr3.3910; and to SFr0.8481 from 0.8530.

London analysts believe that if the Bundesbank does not alter monetary policy, the dollar is unlikely to immediately recoup this week's losses. In particular, the release of the US March employment figures has led to speculation that the Federal Reserve may ease monetary policy.

According to Money Market Services, March non-farm payroll employment will fall by 137,000 persons compared with the 184,000 drop in February.

But there has been speculation that following the gloomy National Association of Purchasing Managers March survey, the decline could be more than 150,000 persons.

The dollar closed lower at DM1.6640 compared with DM1.6805; at SFr1.4140 from SFr1.4270; at Y137.30 from Y138.50; and at FFr5.6425 from FFr5.6925. The dollar's index, calculated by the Bank of England, finished at 65.0 against 65.6.

Sterling was steady as the market continued to believe that the UK government will be cautious about the timing of a further reduction in interest rates. Foreign exchange dealers do not expect a cut in UK rates until the end of this month. The mark's weakness also supported sterling, although turnover was low.

Sterling closed higher at $1.7810 from $1.7680; at Y245.00 from Y244.75; but lower at DM2.9625 from DM2.9700; at SFr2.5175 from SFr2.5225; and at FFr10.0500 from 10.0650. Sterling's index was unchanged at 92.7.

£ IN NEW YORK

Apr.3	Latest	Previous Close
£ Spot	1.7760-1.7770	1.7810-1.7820
1 month	0.96-0.95pm	1.01-0.99pm
3 months	2.58-2.55pm	2.32-2.56pm
12 months	7.19-7.09pm	7.22-7.12pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Apr 3	£	$
[illegible]		
Korea(Sth)	1281.05 - 1301.75	722.40 - 728.20
Kuwait	N/A	N/A
Luxembourg	61.30 - 61.40	34.40 - 34.50
Malaysia	4.8765 - 4.8845	2.7455 - 2.7475
Mexico	5295.95 - 5316.70	2987.00 - 2997.00
N Zealand	2.9875 - 2.9925	1.6850 - 1.6880
Saudi Ar	6.6275 - 6.6815	3.7490 - 3.7510
Singapore	3.1275 - 3.1350	1.7610 - 1.7630
S Af (Cm)	4.7830 - 4.7950	2.6930 - 2.6960
S Af (Fn)	5.7945 - 5.8910	3.2680 - 3.3225
Taiwan	48.50 - 48.60	27.40 - 27.45
U.A.E.	6.4670 - 6.5670	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.536	-4.56	6.04	79
Sterling	0.696904	0.692540	-0.63	1.84	11
Italian Lira	1538.24	1532.58	-0.37	1.58	26
Belgian Franc	42.4032	42.3691	-0.08	1.28	11
D-Mark	2.05586	2.05836	0.12	1.08	2
Dutch Guilder	2.31643	2.32014	0.16	1.04	0
Irish Punt	0.767417	0.769899	0.32	0.88	-8
Danish Krone	7.84195	7.89530	0.68	0.52	-24
French Franc	6.89509	6.97801	1.20	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7690 - 1.7835	1.7805 - 1.7815	0.97-0.95cpm	6.47	2.58-2.55pm	5.76
Canada	2.0510 - 2.0565	2.0515 - 2.0525	0.55-0.45cpm	2.95	1.37-1.24pm	2.56
Netherlands	3.3380 - 3.3520	3.3380 - 3.3450	1½-⅞cpm	3.59	2¾-2⅝pm	2.92
Belgium	60.95 - 61.40	61.30 - 61.40	20-15cpm	3.42	46-37pm	2.71
Denmark	11.3995 - 11.4120	11.3975 - 11.4075	3-2¼orepm	2.76	7-6¼pm	2.32
Ireland	1.1075 - 1.1175	1.1090 - 1.1100	0.19-0.16cpm	1.89	0.50-0.40pm	1.62
Germany	2.9600 - 2.9750	2.9600 - 2.9650	¾-½pfpm	3.29	2¼-2pm	2.78
Portugal	259.75 - 261.55	260.50 - 261.50	25-30cdis	-1.26	37-128dis	-1.26
Spain	183.40 - 184.75	183.40 - 183.70	8-16cdis	-0.78	13-48dis	-0.66
Italy	2205.25 - 2218.15	2205.25 - 2206.25	3-1lirepm	1.09	4-2pm	0.54
Norway	11.5405 - 11.5900	11.5800 - 11.5900	1¾-1⅝orepm	1.75	5¼-4½pm	1.66
France	10.0450 - 10.0930	10.0450 - 10.0550	2½-2¼cpm	2.84	6⅞-6⅝pm	2.69
Sweden	10.7315 - 10.7850	10.7750 - 10.7850	¾-½orepm	0.70	¼-⅝dis	-0.09
Japan	244.00 - 245.50	244.50 - 245.50	1-⅞ypm	4.59	2¾-2⅝pm	4.39
Austria	20.86 - 20.93	20.89 - 20.92	6¼-4¼gropm	3.16	16⅝-14⅝pm	2.99
Switzerland	2.5125 - 2.5225	2.5125 - 2.5225	1-⅞cpm	4.47	2¾-2pm	3.38
Ecu	1.4400 - 1.4460	1.4450 - 1.4460	0.41-0.36cpm	3.20	0.98-0.91pm	2.62

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.51-4.46cpm . 12 Month 7.19-7.09pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7690 - 1.7835	1.7805 - 1.7815	0.97-0.95cpm	6.47	2.58-2.55pm	5.76
Ireland†	1.5905 - 1.6010	1.5990 - 1.6000	0.59-0.54cpm	4.24	1.73-1.63pm	4.20
Canada	1.1540 - 1.1555	1.1545 - 1.1555	0.32-0.36cdis	-3.53	0.92-0.97dis	-3.27
Netherlands	1.8745 - 1.8930	1.8745 - 1.8755	0.47-0.50cdis	-3.10	1.44-1.49dis	-3.13
Belgium	34.30 - 34.60	34.40 - 34.50	8.00-10.00cdis	-3.13	25.00-29.00dis	-3.13
Denmark	6.3965 - 6.4375	6.4000 - 6.4050	1.70-2.10oredis	-3.56	5.30-5.90dis	-3.50
Germany	1.6635 - 1.6845	1.6635 - 1.6645	0.40-0.42pfdis	-2.96	1.25-1.28dis	-3.04
Portugal	146.90 - 147.15	146.90 - 147.00	80-90cdis	-6.94	250-280dis	-7.21
Spain	103.30 - 104.05	103.50 - 103.60	62-65cdis	-7.36	170-178dis	-6.72
Italy	1238.25 - 1251.25	1238.25 - 1238.75	5.70-6.20liredis	-5.77	16.00-17.00dis	-5.33
Norway	6.4900 - 6.5380	6.5025 - 6.5075	2.10-2.55oredis	-4.29	6.40-7.00dis	-4.12
France	5.6400 - 5.6970	5.6400 - 5.6450	1.50-1.55cdis	-3.24	4.40-4.50dis	-3.15
Sweden	6.0360 - 6.0800	6.0500 - 6.0550	2.80-3.15oredis	-5.90	8.65-9.20dis	-5.90
Japan	137.00 - 138.00	137.25 - 137.35	0.20-0.22ydis	-1.84	0.47-0.51dis	-1.43
Austria	11.7260 - 11.8110	11.7500 - 11.7550	2.60-3.05grodis	-2.88	7.80-9.00dis	-2.86
Switzerland	1.4105 - 1.4265	1.4135 - 1.4145	0.29-0.32cdis	-2.59	0.83-0.88dis	-2.42
Ecu	1.2230 - 1.2350	1.2340 - 1.2350	0.35-0.33cpm	3.30	1.00-0.94pm	3.14

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12⅜ - 12⅛	12½ - 12¼	12⅞ - 12⅝	12⅜ - 12¼	11⅞ - 11¾	11½ - 11⅜
US Dollar	6¾ - 6½	6⅝ - 6½	6⅝ - 6½	6⅜ - 6¼	6½ - 6⅜	6⅝ - 6½
Can. Dollar	9¼ - 9	9½ - 9¼	9½ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Dutch Guilder	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8⅞ - 8⅝	9 - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅝ - 8½	8 - 7¾
D-Mark	9 - 8⅞	9 - 8⅞	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9½ - 9⅜	9½ - 9⅜	9⅜ - 9¼	9½ - 9⅜	9⅜ - 9¼	9⅜ - 9¼
Italian Lira	13 - 11	12½ - 11½	12 - 11½	11⅞ - 11⅝	11⅞ - 11⅝	11⅞ - 11⅝
Belgian Franc	9¾ - 9½	9⅞ - 9⅝	9⅞ - 9⅝	9⅝ - 9⅜	9⅝ - 9⅜	9⅝ - 9⅜
[illegible]						

Long term Eurodollars: two years 7¼-7⅛ per cent; three years 8-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
YEN	4.082	7.269	12.09	1000.	41.02	10.27	13.63	9004	8.376	250.4
F Fr.	0.995	1.772	2.947	243.8	10.	2.504	3.323	2195	2.042	61.04
S Fr.	0.397	0.708	1.177	97.34	3.993	1	1.327	876.4	0.815	24.37
H Fl.	0.299	0.533	0.887	73.35	3.009	0.754	1	660.5	0.614	18.37
Lira	0.453	0.807	1.343	111.1	4.556	1.141	1.514	1000.	0.930	27.81
C $	0.487	0.868	1.443	119.4	4.898	1.227	1.628	1075	1	29.90
B Fr.	1.630	2.903	4.828	399.3	16.38	4.103	5.444	3596	3.345	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
103	-	-	-	0.20	0.62	-
104	1.94	-	-	0.38	0.89	-
105	1.21	1.75	-	0.69	1.25	-
106	0.70	1.23	-	1.13	-	-
107	0.36	-	-	-	-	-
108	0.16	-	-	-	-	-
Open Int.	110,756	19,142	900	116,179	24,404	1,050

Estimated volume 21,875 Total Open Interest 272,430

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7810	1.7714	1.7554	1.7362	1.7106

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.7550	1.7570	1.7542	1.7592
Sep	1.7360	1.7370	1.7358	1.7392
Dec	-	-	1.7200	1.7234

BASE LENDING RATES

	%		%		%
ABN Bank	12½	Co-operative Bank	12½	Nat Bk. of Kuwait	13½
Adam & Company	12½	Coutts & Co	12½	NatWestminster	12½
Allied Trust Bank	12½	Cyprus Popular Bk	12½	Northern Bank Ltd	12½
AIB Bank	12½	Dunbar Bank PLC	12½	Nykredit Mortgage Bank	13
● Henry Ansbacher	12½	Duncan Lawrie	12½	Provincial Bank PLC	15
B & C Merchant Bank	12½	Equatorial Bank plc	12½	Roxburghe Bank Ltd.	13½
Bank of Baroda	12½	Exeter Bank Limited	13	Royal Bk of Scotland	12½
Banco Bilbao Vizcaya	12½	Financial & Gen. Bank	12½	● Smith & Williamson Secs.	12½
Bank Credit & Comm.	12½	First National Bank Plc.	15	Standard Chartered	12½
Bank of Cyprus	12½	● Robert Fleming & Co.	12½	TSB	12½
Bank of Ireland	12½	Robert Fraser & Ptnrs.	13	Unibank plc	12½
Bank of India	12½	Girobank	12½	● United Bk of Kuwait	12½
Bank of Scotland	12½	● Guinness Mahon	12½	United Mizrahi Bank	12½
Banque Belge Ltd	12½	● Hambros Bank	12½	Unity Trust Bank Plc	12½
Barclays Bank	12½	Hampshire Trust Plc	13½	Western Trust	12½
Benchmark Bank	13	Heritable & Gen Inv Bnk.	12½	Westpac Bank Corp.	12½
Brit Bk of Mid East	12½	● Hill Samuel	12½	Whiteaway Laidlaw	12½
● Brown Shipley	12½	C. Hoare & Co.	12½	Yorkshire Bank	12½
CL Bank Nederland	12½	Hongkong & Shanghai	12½		
● Charterhouse Bank	12½	● Leopold Joseph & Sons	12½		
Citibank NA	12½	Lloyds Bank	12½		
City Merchants Bank	12½	Meghraj Bank Ltd	12½		
Clydesdale Bank	12½	McDonnell Douglas Bnk.	12½		
Comm. Bk. of London Plc	12½	Midland Bank	12½		
		Mount Banking	12½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Easier UK rates

UK short-dated money rates continued to fall as the tightness at the end of the tax year eased. Longer-dated rates were steady to higher as the market waited for the German Bundesbank council meeting today.

The key three-month interbank rate was down 1/16 at 12⅜-¼ per cent in line with other short-dated rates. Overnight money was off ¼ at 13⅜-⅛ per cent and one month was also down ¼ at 12 9/16-7/16.

Money rates were bid higher last week as banks sought additional liquidity before the financial year end, but as these factors eased near-term rates have come under pressure. The Bank of England's relatively generous attitude to the market's day-to-day credit needs also dampened near-term yields.

UK clearing bank base lending rate 12.5 per cent from March 22, 1991

The Bank of England yesterday initially forecast a shortage of £450m which it later revised to £350m. The Bank bought £190m of band 1 bank bills at 12⅜ per cent and £115m of band 2 bank bills at 12¼.

Longer-dated rates were mixed, while the interest rate futures market indicated a hardening of rates. Money market analysts said this reflected unease about German interest rate policy and a belief that the government will continue to adopt a cautious policy towards further cuts in UK rates.

The money market still expects base rates to be reduced to 12 per cent by the end of this month. The futures market is projecting a base rate cut to 11¾ per cent by the end of June.

But any change in UK monetary policy will be influenced by what the Bundesbank decides at its council meeting today.

However, its actions in the German credit market yesterday dampened speculation that it will raise rates. A slightly larger-than-expected allocation of funds calmed the market and led to a weakening in German money rates.

Call money was unchanged at 8.90 per cent; in the futures market, the June Euro-mark contract was up 7 points at 90.77, a clear indication that a rise in rates is not expected today.

In New York, the Federal Reserve, as expected by market analysts, added liquidity to the banking system using temporary reserves via overnight system repurchase agreements. Fed funds were then at 6⅝ per cent, up ⅛ on the day.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.3) 3 months US dollars		6 months US Dollars	
bid 6¼	offer 6⅜	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	9	One month	5.95	Three year	7.23
Broker loan rate	8½	Two month	5.90	Four year	7.46
Fed.funds	6¼	Three month	5.93	Five year	7.69
Fed.funds at intervention	-	Six month	6.04	Seven year	7.93
		One year	6.23	10-year	8.04
		Two year	6.99	30-year	8.24

Apr.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.85-9.00	8.95-9.10	9.00-9.20	9.10-9.30	9.00
Paris	9⅜-9½	9⅜-9½	9⅜-9½	9⅜-9½	9⅜-9½	9.25
Zurich	7⅞-8¼	8¾-9	-	8¾-8⅞	-	-
Amsterdam	9.25-9.38	9.18-9.26	-	9.20-9.30	-	-
Tokyo	8⅛-8⅞	8⅛-8¼	-	-	-	-
Milan	11¾-12	12¼-12½	-	12-12¼	-	-
Brussels	9.12-9.25	9¼-9⅜	-	9¼-9⅜	-	-
Dublin	10¼-10½	10 11/16-10 13/16	10 11/16-10 13/16	10 11/16-10 13/16	10⅝-10¾	-

LONDON MONEY RATES

Apr 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12⅝	12½	12⅝	12⅜	11 15/16	11½
Interbank Bid	6	12⅜	12½	12¼	11 13/16	11⅜
Sterling CDs	-	-	12½	12¼	11 13/16	11⅜
Local Authority Deps.	11¾	12⅜	12½	12⅜	11⅞	11⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	12	12⅜	12⅜	11¾	-	-
Company Deposits	-	-	12⅝	12⅜	11 15/16	11 9/16
Finance House Deposits	-	-	12⅝	12⅜	11 15/16	11⅝
Treasury Bills (Buy)	-	-	12⅜	11⅝	10 15/16	-
Bank Bills (Buy)	-	-	12⅜	11 13/16	11 5/16	-
Fine Trade Bills (Buy)	-	-	12⅞	12⅛	11 13/16	-
Dollar CDs	-	-	6.25	6.23	6.37	6.85
SDR Linked Dep. Offer	-	-	8¼	8¼	8⅛	8¼
SDR Linked Dep. Bid	-	-	8	8	7⅞	8
ECU Linked Dep. Offer	-	-	9½	9½	9⅜	9⅜
ECU Linked Dep. Bid	-	-	9⅜	9⅜	9¼	9¼

Treasury Bills (sell); one-month 11 13/16 per cent; three months 11½ per cent; six months 10 13/16 per cent; Bank Bills (sell): one-month 12 3/16 per cent; three months 11 11/16 per cent; Treasury Bills; Average tender rate of discount 11.5556 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 28 ,1991 . Agreed rates for period April 23,1991 to May 25 , 1991, Scheme I: 13.52 p.c., Schemes II & III: 13.71 p.c. Reference rate for period March 1,1991 to March 28 , 1991, Scheme IV&V: 12.472 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from April 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9 per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 10 per cent; Under £100,000 9 per cent from March 25 1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

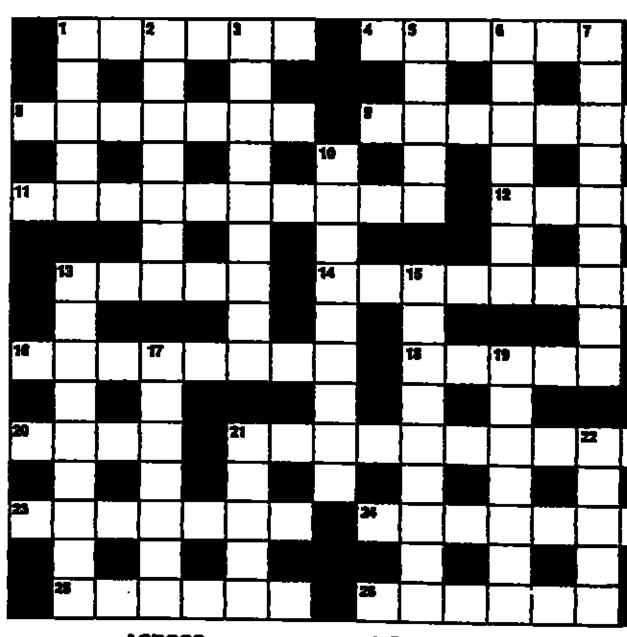
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,509 Set by DANTE



ACROSS

1 Battled for a stronghold, we hear (6)
4 Quietly get in foreign capital for Greek city (6)
8 He's patronised by others (7)
9 A thousand spaced out in deserts (7)
11 In error, since I'm not all knowing (10)
12 They're down to play bingo (4)
13 It is beyond the bit-player (5)
14 Instructs or admonishes (8)
16 Film-plot involving arsenic and love (8)
18 Mint bar? (5)
20 Nuts – crack almonds to start with (4)
21 Market researcher on camera (10)
23 Shuffled the cards dishonestly and made a pile (7)
24 Brave child backed by his mother (7)
25 Stop side replacing good man (6)
26 Incense – a green variety (6)

DOWN

1 Debate of rising spirit (5)
2 Straighten a French fiddle (7)
3 It makes baby sit up (4-5)
5 Leave river at last (5)
6 Paul brewed tea in a high-rise flat (7)
7 Make effective tool (9)
10 Expect high tolls here (4-5)
13 Under a spell and thence transformed (9)
15 I fetch in a new leader (9)
17 Shades of Paris! (7)
19 Vessel almost departed with the wrong load (7)
21 Opinions wives expressed differently (5)
22 Happen to come later (5)

Solution to Puzzle No.7,508

A	P	A	C	H	E		S	E	N	S	I	B	L	E
N		S		A				D		U		U		X
T	O	T	I	N	G		P	E	R	F	O	R	C	E
I		E		D		M		N		F		L		T
P	A	R	A	L	L	A	X		C	R	E	A	T	E
O		I		E		N		B		A		P		R
P	U	S	S		S	T	R	A	N	G	E			
E		K		P		R		L		E		D		S
			M	A	N	A	T	E	E		S	I	D	E
F		M		R		P		F		A		V		C
R	E	A	D	E	R		L	U	N	G	F	I	S	H
A		G		N		R		L		N		S		A
C	O	N	S	T	R	U	E		S	A	D	I	S	M
A		U		A		F				T		O		E
S	I	M	P	L	I	F	Y		F	E	N	N	E	L

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2:15 pm prices April 3

Quotations in cents unless marked $

[illegible]

MONTREAL

2:15 pm prices April 3

[illegible]

Total Sales 10,432,500 shares

INDICES

NEW YORK

DOW JONES	Apr. 2	Apr. 1	Mar. 28	Mar. 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2945.05	2881.19	2913.86	2917.57	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.88	93.64	93.60	93.57	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1115.48	1101.55	1109.49	1117.95	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.74	213.91	217.18	216.55	218.12 (26/3)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2951.98 (2919.31) Low 2878.22 (2868.32)

STANDARD AND POOR'S

	Apr. 2	Apr. 1	Mar. 28	Mar. 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	379.50	371.30	375.21	375.35	379.50 (2/4)	311.49 (9/1)	376.72 (5/3/91)	4.40 (1/6/32)
Industrials	449.82	439.64	444.21	444.63	449.82 (2/4)	364.90 (9/1)	447.26 (6/3/91)	3.62 (21/6/32)
Financial	29.75	29.07	29.45	29.52	29.75 (2/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	207.42	203.41	205.30	205.32	207.42 (2/4)	170.97 (9/1)	205.74 (5/3/91)	4.46 (25/4/42)
Amex Mkt. Value	359.91	357.94	359.20	357.68	359.91 (2/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	489.21	480.86	482.30	482.37	482.37 (27/3)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar.22	Mar.15	Mar.8	year ago (approx.)
Dow Industrial Div. Yield	3.53	3.42	3.40	4.06

	Mar. 27	Mar.20	Mar.13	year ago (approx.)
S & P industrial div. yield	2.84	2.88	2.83	3.09
S & P Indl. P/E ratio	18.27	17.95	17.53	14.56

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJ Nabisco	3,926,400	11⅝	+ ⅜
Hercules	2,962,200	36	- 5¼
Pef.Inc	2,839,300	16	... .
PSI Hldgs	2,468,600	18	+ ⅛
Philip Morris	2,384,700	69⅝	+ 3
Autozone	2,286,800	29⅜	... .
IBM	2,268,100	113¾	+ 1
Pepsico	1,979,400	35⅝	+ 1⅝
Gen Electric	1,964,600	72¼	+ 2⅜
Am T & T	1,690,100	34⅜	+ ⅝

TRADING ACTIVITY

† Volume Millions	Apr. 2	Apr. 1	Mar. 28
New York	189.530	144.015	151.750
Amex	14.726	11.328	13.625
NASDAQ	199.626	126.195	184.300
Issues Traded	2,057	2,050	2,026
Rises	1,194	635	852
Falls	420	970	675
Unchanged	443	445	499
New Highs	148	77	97
New Lows	3	2	3

CANADA

TORONTO	Apr. 2	Apr. 1	Mar. 28	Mar. 27	1991 HIGH	1991 LOW
Metals & Minerals	3174.93	3143.12	3184.27	3179.47	3284.18 (5/3)	2632.06 (9/1)
Composite	3516.31	3486.87	3495.67	3486.25	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1851.13	1830.19	1836.40	1830.90	1888.19 (5/3)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 3	Apr. 2	Apr. 1	Mar. 29	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1456.9	1434.8	(c)	(c)	1456.9 (3/4)	1204.5 (16/1)
All Mining (1/1/80)	663.6	654.3	(c)	(c)	673.5 (19/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	515.27	505.40	(c)	(c)	515.27 (3/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1202.31	1193.91	(c)	(c)	1202.31 (3/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	352.51	348.78	(c)	(c)	354.05 (8/3)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1156.1	1147.2	(c)	(c)	1164.7 (22/3)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	489.89	483.51	(c)	(c)	489.89 (3/4)	394.88 (15/1)
CAC 40 (31/12/87)	1851.89	1827.10	(c)	(c)	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	668.97	656.08	(c)	(c)	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1899.50	1862.8	(c)	(c)	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1577.50	1538.62	(c)	(c)	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3869.70	3789.99	(c)	(c)	3869.70 (3/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1510.59	1489.56	(c)	(c)	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	592.02	585.06	(c)	(u)	597.83 (18/3)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26780.86	26252.00	26007.40	26292.04	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	2007.56	1976.70	1959.96	1978.73	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3238.25	3227.43	3240.86	3240.68	3240.86 (1/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	586.86	584.20	587.06	587.05	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	270.9	267.4	(c)	(c)	270.9 (3/4)	221.4 (16/1)
CBS All Shr (End 1983)	198.1	195.5	(c)	(c)	198.1 (3/4)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	720.56	714.02	(c)	(c)	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1106.98	1110.77	1117.90	(c)	1117.90 (1/4)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	408.85	405.60	408.02	(c)	415.46 (15/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1039.04	999.0	(c)	(c)	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3403.04	3386.0	(c)	(c)	3403.0 (3/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	649.43	643.56	650.05	648.84	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	286.18	286.43	286.70	(c)	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1112.2	1094.0	(c)	(c)	1119.0 (18/3)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	743.0	734.5	(c)	(c)	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	617.9	610.5	(c)	(c)	617.9 (3/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5344.84	5185.30	5297.92	(c)	5344.82 (3/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	856.38	853.58	857.18	(c)	885.16 (18/3)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	519.5*	510.9	501.6	504.2	524.2 (18/2)	439.1 (16/1)

‡ Corrected figure. **Saturday March 30: Taiwan Weighted Price: (c), Korea Comp Ex. 659.85.
♦ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all Indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 3 April 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
M'bishi Elec	25.0m	817	+30	Kobe Steel	10.0m	558	+18
Hitachi Zosen	18.9m	639	+14	Hitachi	9.5m	1,280	+20
Nisshin Steel	14.9m	735	+31	Nippon Steel	9.0m	488	+7
Kokusai Elec Rl	14.0m	1,790	+40	S'tomo Metal	7.4m	545	+15
M'bishi Heavy	12.8m	811	+18	NKK	7.3m	455	+15

2:15 pm prices April 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	19	154	14½	14¼	14½	+⅛
28⅛	21⅝	A L Labs A	0.16	0.01	20	225	25¾	25⅛	25¾	+⅛
54¾	40⅞	AMP Inc	1.44	0.05	19	757	53⅜	53	53⅛	-¼
63	44¼	AMR				9235	12	59¾	59	59½ +⅜
2½	1¼	ARX			3	279	u2⅞	2⅝	2½	
48⅝	41½	ASA	3.00	0.06	13	587	46½	46⅛	46¼	+⅜
49⅞	39¼	Abbott Lab	1.00	0.02	22	4487	u50¼	49	49⅞	
13¾	9⅞	Abitibi Pr	0.50	0.04	19	15	13½	13⅛	13¼	+¼
11⅛	10⅞	ACM Gvt In				498	u11⅛	11	11⅛	
9⅞	8⅞	ACM GvOpp				91	9⅛	9	9⅛	+⅛
9	8¼	ACM Gvt Sp x	1.01	0.11		98	u9	8⅞	9	+⅛
10⅞	9⅞	ACM Gvt Se x				223	10⅝	10½	10½	
8¼	7⅞	ACM Man				216	8⅛	8	8	-⅛
12⅞	11⅞	ACM Managd				201	12⅞	12¾	12⅞	
7¾	4¾	Acme Cleve	0.40	0.06	16	30	6¾	6½	6½	-⅛
6	4¾	Acme Elect			16	77	5	4⅞	4⅞	
39	22¾	Acuson			25	180	38½	38	38⅛	+⅝
17½	14¼	Adams Expr	0.48	0.03	0	115	16⅞	16⅝	16⅞	+¼
20	18⅞	Adobe12PI	2.40	0.12		7	19⅞	19⅞	19⅞	
9¼	7	Adobe Res			19	28	7½	7⅜	7⅜	-⅛
31½	18	Ad Micro				175	30	29⅝	30	+⅛
11⅞	4⅞	Ad Micro P	3.00	0.28	21	6617	10⅞	10⅝	10¾	+¼
4⅜	2¼	Advest Grp			3	533	u4½	3⅞	4¼	+⅜
48⅞	33⅞	Aetna Li	2.76	0.06		74093	47¾	46½	47¼	+1⅛
10⅝	6⅝	Ahl A	0.24	0.02	28	945	10⅛	9⅞	10	-⅛
18¾	12	Ahmanson	0.88	0.05		22970	18½	18¼	18⅜	+⅛
6	2⅞	Aileen Inc				51880	u5½	5	5⅜	+½
69⅝	51⅞	Air Pr Chm x			15	904	68½	67½	68½	+⅝
25	16⅝	Airbne Frt	0.30	0.01	12	347	21⅞	21⅝	21⅝	+⅛
18	12½	Airgas Inc			21	91	u18½	17¾	18½	+⅝
15¼	10	Airlease x	1.60	0.12	6	17	12⅞	12½	12¾	+¼
92½	88¼	AlaPw8.16				2	90	90	89½	
[illegible]										

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅝	11⅝	Quanex	0.48	0.03	8	206	16¼	16½	16½	-¼
19⅝	11⅞	Quantum Ch			19	369	16⅝	15⅝	15¾	-⅛
14⅝	10½	QuestVal D	0.40	0.03		94	14¼	14⅛	14¼	+⅛
13¾	12⅞	QuestVal P				166	13⅝	13½	13⅝	
38⅝	33¼	Questar	1.98	0.05	12	374	38⅝	36½	36⅝	+⅛
19⅝	10	Quick R'ty	0.28	0.01	16	158	u20	19⅞	20	+⅛

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1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11¾	10⅝	RAC Incm	0.42	0.04		86	11⅝	11½	11⅝	+⅛
7¾	4⅞	RAC Mortg x	0.60	0.09	7	263	7	6¾	6⅞	
12⅞	4½	RJR Nab W				1683	12	11⅝	12	+½
16⅝	11⅝	RLI Corp x	0.44	0.03	7	124	16	15⅞	16	
8	4	RMI Titanm			3	21	7⅛	7⅛	7⅛	+⅜
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
43¾	32¼	Stanhome	0.92	0.02	17	[illegible]				
35⅝	26¼	StanleyWk	1.20	0.05	13	[illegible]				
24⅝	20¾	Starrett	0.68	0.03	9	[illegible]				
10¼	9⅝	State Mutl	0.96	0.10		[illegible]				
3⅝	2½	Steego Crp			6	[illegible]				
51⅝	45	StlgSf7.20				[illegible]				
8⅞	5⅞	SterlgBcrp	0.22	0.03	7	[illegible]				
7⅛	4⅞	SterlgChem			51	[illegible]				
14⅝	7⅞	SterlgSwre			15	[illegible]				
5½	3⅝	Stifel Fin			74	[illegible]				
36⅝	28⅝	StoneWeb x	0.80	0.02	65	[illegible]				
18⅝	9	Stone Cont	0.72	0.05	9	[illegible]				
5⅝	3½	Stoneridge				[illegible]				
8¾	6⅝	Storage Eq	0.80	0.10	8	[illegible]				
35½	17¾	Storage Te			16	[illegible]				
35⅝	20½	Stratus			19	[illegible]				
44½	26¼	StrideRite	0.48	0.01	21	[illegible]				
25⅝	20¾	Sturm Rgr	1.20	0.05	9	[illegible]				
9⅝	5⅞	Suave Shoe	0.30	0.04	13	[illegible]				
9⅝	7⅞	Sun Dis A x	1.10	0.12	4	[illegible]				
4⅛	2½	Sun Dis B x	1.32	0.35		[illegible]				
12⅝	7⅛	Sun Electr			29	[illegible]				
10⅛	8⅝	Sun Energy	1.82	0.18	11	[illegible]				
33½	23⅝	Sundstrand	1.10	0.03	10	[illegible]				
8⅛	3⅛	SunshinePl				[illegible]				
[illegible]										

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[illegible]

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[illegible]

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[illegible]

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[illegible]

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
18¼	12	Zenith Nat	1.00	0.08	36	6	17⅝	17⅝	17⅝	-⅛
5⅝	4½	Zenix Inc	0.28	0.05		159	u5⅝	5½	5½	
14	10⅞	Zero Corp	0.72	0.05	13	33	13½	13¼	13¾	-⅛
41⅝	29½	Zurn Ind	0.88	0.02	14	908	36	34½	34½	-1½
12⅞	10¼	Zweig Fund				284	12¾	12⅝	12¾	
9¾	8½	Zweig Totl				225	u9¾	9⅝	9¾	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:15 pm prices April 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Pet HH&P	0.51	4	25	8¾	8½	8½	
PhlR LD	0.16	7	300	18	17⅝	18	+⅛
Pittway A		10	57	24¾	24⅜	24⅜	
[illegible]							
—Gem	0.12	25	162	8¼	8	8	-½
PresidioA	0.10	4	232	5½	5½	5½	-⅛
[illegible]							

NASDAQ NATIONAL MARKET

2:15 pm prices April 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							
WP Grp	1.11	2	298	6	5¾	5¾	+⅛
Wyman-Gdn	0.40	16	270	8	7⅞	7⅞	+⅛
Xilinx		60	4602	23½	22¾	23½	+1
XL Data		8	98	6¼	6	6	-⅛
Xoma Corp		15	19002	28¾	26	28½	
YanknEnE	1.82	17	208	u23¾	22	23	
Yellow Fr	0.94	13	367	31⅛	30½	30½	-½
York Rsch		22	3889	u22¼	21	21½	-⅛
ZionUtah x	1.44	9	14	37	36½	36¾	+½

AMERICA

Senior markets slumber as second-liners advance

Wall Street

ALTHOUGH second-liners maintained their upward momentum yesterday morning, the main markets slumbered as investors stopped to catch their breath after Tuesday's big gains, *writes Patrick Harverson in New York.*

By 12.30 pm the Dow Jones Industrial Average was up just 3.71 at 2,948.76 and by midday the Standard & Poor's was up 1.49 at 380.99. The Nasdaq composite of over-the-counter stocks, however, was up 4.07 at 495.27 at another all-time high.

Turnover on the Big Board was heavy at 107m shares, and with advancing shares outpacing declining shares by almost two to one, the overall tone of the market remained firm.

Analysts had expected some consolidation after the 63-point rise in the Dow on Tuesday, but demand for second-liners, especially companies with proven earnings records, had been expected to remain strong. As for the Dow, a breakthrough above the 3,000 mark is confidently expected, probably within the next week.

Trading in Chemical Bank was delayed at the start after a long queue of buyers created an order imbalance. The demand was stimulated by an upgrade from Kidder Peabody, which changed its rating on the stock from a sell to a buy, citing good earnings momentum, better credit quality and a lower risk profile at Chemical. By midday the shares had climbed $1⅛ to $19 in active trading.

Other banks, helped in recent days by hopes of lower interest rates, firmed alongside Chemical. Citicorp rose $¾ to $15⅝ on turnover of 1.4m shares, Chase Manhattan added $¾ to $16⅝, J.P. Morgan advanced $1¼ to $48¼ and Manufacturers Hanover climbed $⅞ to $26¼.

Silicon Graphics slipped $3½ to $39 on turnover just short of 1m shares after the company warned that fiscal third quarter earnings would not match the 49 cents a share achieved in the second quarter.

IBM, up $⅝ at $113⅝, shrugged off the news that Duff & Phelps, the credit rating agency, had downgraded some of the group's debt because of pressures on profitability, especially in mainframes.

Elsewhere in the computer sector Digital Equipment put on $⅝ to $64⅝. Compaq rose $2⅞ to $65¼ after it agreed to buy a 13 per cent stake in Silicon Graphics, and Hewlett Packard rose $¾ to $51⅛.

Dillard Department Stores firmed $5 to $106 after the 9m shares owned by Vendamerica, a Dutch group, were sold successfully into the market at $99 a share. Cabletron rose $2⅝ to $39 following reports that the company is comfortable with analysts' estimates of fourth quarter earnings of 30 cents to 40 cents a share.

On the over-the-counter market, Imatron jumped $¾ to $2⅞ on turnover of 1.6m shares as buyers continued to pick up the stock on the news that the company had a $4m licensing fee from Siemens, the German computer group.

ADT recovered from Tuesday's declines, rising $¾ to $15⅝ in busy trading. The shares had been weaker in reaction to a lawsuit from Laidlaw, which will attempt to overturn a standstill pact preventing Laidlaw from acquiring a larger stake in ADT.

Price Co climbed $1 to $48⅞ after the company reported second quarter profits of 56 cents a share, up from 51 cents a share at the same stage a year earlier, and revenues of $1.4bn, up from $1.1bn.

Canada

FOLLOW-THROUGH buying after Tuesday's rise in New York lifted Toronto stocks across the board in early trading. The composite index gained 15.7 to 3,532.0. Advances led declines by 148 to 88 on volume of 6.65m shares.

Laidlaw B shares rose slightly after a positive newspaper article. The stock gained C$⅛ to C$15¼ on volume of 179,000 shares.

EUROPE

Frankfurt in the lead as bourses advance

THE 2.2 per cent rise overnight on Wall Street sparked off an advance by most bourses yesterday. Currency plays also continued to feature, *writes Our Markets Staff.*

FRANKFURT surprised analysts with its strength for the second time this week. Following a 3.97 rise to 668.97 in the FAZ index at midsession, the DAX closed 38.88, or 2.5 per cent, higher at 1,577.50. Volume climbed from DM5.3bn to DM7.8bn.

Over the past three days, the market has risen by 4.6 per cent; yet a week ago, said Ms Barbara Altmann of B Metzler in Frankfurt, most observers were expecting a further decline. The recovery, she said, reflects recoveries in the bond market and the D-Mark.

This week, a fall in average bond yields from 8.62 to 8.57 reflects the authorities' decision to postpone new government bond issues. Over the past week, the D-Mark has recovered against the dollar, from around DM1.72 to DM1.67.

Financials, chemicals, engineering and steels led yesterday's gains. Hoesch, the steelmaker which has moved into high-tech engineering, jumped to third in the most active stocks list, trading in DM696m as its shares rose DM25.50 to DM297 on a large buy order. Metallgesellschaft rose DM21.50 at DM513, still excited by Daimler's decision to take a 10 per cent stake.

AMSTERDAM gained 1.9 per cent on institutional buying. The CBS Tendency index rose 1.8 to a year's high of 98.2 in turnover estimated at Fl 600m to Fl 700m. Among the winners, Philips jumped Fl 1.70 or 6.1 per cent to Fl 29.70, mostly on foreign demand, and Pirelli Tyre rose Fl 1.40 or 6.4 per cent to Fl 23.40 in spite of its sombre 1991 forecast on Tuesday.

Aegon, the insurer, added Fl 2.20 to Fl 133.70 after announcing results in line with expectations and raising its dividend. These were the company's first results produced on less conservative accounting principles, and were therefore of significance for the future performance of other insurers, said one analyst. Amev rose Fl 1.70 to Fl 59.60 and Internationale-Nederlanden added Fl 1.70 to Fl 52.50.

Pakhoed gained Fl 3.70 to Fl 197.70; the transport and storage company is due to report figures today.

PARIS advanced in fairly busy trading, with the CAC 40 index up 24.79 or 1.4 per cent at 1,851.89. Turnover rose to about FFr2.7bn from FFr2.5bn.

Alcatel Alsthom, the electrical engineering group, added FFr8 to FFr621 on volume of 337,430 shares. As the bourse closed, the company released its 1990 results and announced an offer to buy out minority shareholders in three subsidiaries through a share swap. The three units, Générale Occidentale, Saft and Locatel, were suspended on Tuesday.

Alcatel's profits rise was as good as expected, said one salesman. He added that the current trend towards buying in minorities was technically positive for the market, as it reduced the free float and so helped to push prices higher.

Pernod gained FFr64 or 5.5 per cent to FFr1,281 with 45,450 shares exchanged. The drinks group said that it had not ruled out selling its stake of about 2.5 per cent in Suez, which added FFr3.30 to FFr346.30.

MILAN's Comit index closed 6.96, or 1.2 per cent, higher at 592.02, led up by Generali, Cir and Olivetti. The insurer enjoyed US interest and rose L750 to L35,800.

Mr Carlo De Benedetti's key holding company, Cir, rose L80, or 3.4 per cent, to L2,640, and Olivetti by L82 to L4,040 in late trading. Meanwhile the Fiat group retailer, Rinascente, put on L260, or 4.3 per cent, to L6,280 following Tuesday's higher profits for 1990.

ZURICH rose 1 per cent, the Crédit Suisse index closing 5.9 higher at 556.9. Foreign buying centred on chemicals, where Ciba-Geigy registered rose SFr80 to SFr2,640. Banks climbed on interest rate hopes. Union Bank registered closing SFr27 higher at SFr771.

STOCKHOLM saw foreign interest in its big consumer durables companies, Electrolux rising SKr7 to SKr237 and Volvo SKr11 to SKr330. The Affärsvärlden General index closed 18.20, or 1.7 per cent, higher at 1,112.20.

FT-SE Eurotrack 100 - Apr 3							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1110.78	1111.63	1113.67	1114.34	1115.73	1115.92	1116.15	1116.86
Day's High 1117.27				Day's Low 1110.75			
Apr 2	Mar 28	Mar 27	Mar 26	Mar 25			
1100.81‡	1093.14	1090.17	1078.79	1076.41			

Base value 1000 (26/10/90) ‡-Corrected

The FT-SE Eurotrack 100 index for April 2 was overstated throughout the day by +12.96 because of an error in the peseta/dollar exchange rate, said the International Stock Exchange. For the same reason the Eurotrack 200 index was overstated by +7.74. The table shows the corrected closing figure for April 2.

SOUTH AFRICA

RISING international markets boosted Johannesburg yesterday, but trading was thin. The industrial index hit a record high of 3,403, up 17. Gold shares rose on the weak financial rand and steady bullion price, the all-gold index adding 40 to 1,039.

ASIA PACIFIC

Strong yen and US gains spur Nikkei

Tokyo

HOPES OF monetary easing, triggered by the stronger yen, together with the overnight surge on Wall Street, brought in broadly based buying yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 528.06 or 2 per cent to 26,780.06. It opened at the day's low of 26,322.71 and reached a high of 26,803.43 near the close.

Volume expanded to 650m shares from 400m; domestic institutions were spurred into action by heavy foreign buying. Rises led falls by 806 to 194, with 129 issues unchanged. The Topix index of all first section stocks climbed 30.86 to 2,007.56, and in London trading the ISE/Nikkei 50 index advanced 27.06 to 1,529.29.

The yen's strength caused a sharp turnround in sentiment. A Jardine Fleming trader said the Nikkei supported above the 13-week moving average was also a positive sign.

Interest rate-sensitive issues were sought on expectations of a discount rate cut. Tokyo Electric Power put on Y90 to Y4,000 and Nippon Steel added Y7 at Y488.

Mitsubishi Electric, the most active issue, rose Y30 to Y817 on foreign buying. Investors were attracted because the group is gaining a strong foothold in the Middle East.

Drug manufacturers were strong on profits expectations and in anticipation of drug developments. The sector gained 3.42 per cent. Tanabe Seiyaku rose Y100 to Y1,260 and Fujisawa Pharmaceutical Y90 to Y1,980.

Railway-related shares rose on rumours that East Japan Railway plans to list later this year. Keisei Electric Railway added Y40 at Y1,790 and Tokyu Y60 at Y1,590. East Japan Railway's suppliers also advanced: Omron, which has received orders for automatic ticket checking machines, appreciated Y30 to Y2,230.

Machine tool makers were strong, reflecting increased orders because of the labour shortage. Toshiba Tungaloy climbed Y60 to Y890 and Hitachi Construction Machinery Y90 to Y1,560.

In Osaka, the OSE average advanced 461.02 to 29,623.70 on volume of 58m shares, up from 33m. Sumitomo Forestry added Y50 at Y1,830: the company, which is setting up several branches, has a large order backlog in spite of sluggish housing starts.

Nihon Spindle rose by its daily limit of Y100 to close at Y1,030. Investors were attracted by brisk sales of its device to remove the chemical dioxin from water.

Roundup

ONLY THREE countries in the Pacific Basin region responded in strength to Wall Street and Tokyo. Otherwise gains were modest, and Manila declined.

HONG KONG approached the all-time high of 3,950 on the Hang Seng index, advancing 79.71 or 2.1 per cent to 3,869.70. Turnover swelled from HK$1.24bn to HK$2.22bn.

Properties led the rally. Traders noted that apart from the Wall Street rise, the recent recovery in the US dollar, to which the Hong Kong dollar is linked, made Hong Kong investments more attractive.

AUSTRALIA noted some south-east Asian buying as volume climbed from A$123m to A$164m and the All Ordinaries index put on 22.2 to 1,457.0.

News Corp, cutting its third newspaper title in six months, rose 30 cents to A$9. Adelaide Steamship continued to suffer in the wake of last week's reported first-half loss, falling 3 cents to 11 cents with a heavy 4.6m shares traded, following a drop of 18 cents on Tuesday.

TAIWAN advanced by 3.1 per cent, the weighted index closing 159.54 higher at 5,344.84, but volume eased from T$88.4bn to T$83.3bn. Buying was targeted at mutual funds, automotive stocks and small-sized financial issues.

Austral decision inspires Argentina

John Barham explains the recent surge in Buenos Aires while, below, **Victoria Griffith** talks to the São Paulo exchange president

THE NARROW streets of the Buenos Aires financial district swarmed with people a couple of weeks ago. Anxious crowds watched in silence as monitors in the windows of brokerages relayed the action at the city's stock market. Far from being a witness to disaster, as so often in the past, the Buenos Aires Stock Exchange had been spectacularly rejuvenated.

Turnover hit a record $30.5m on March 21; the exchange's Merval index climbed 28 per cent on the same day, while the dollar-adjusted index gained 23 per cent, raising market capitalisation to $5.31bn.

Since then, the market has stabilised after three days of profit-taking which pulled it back down 8.8 per cent. It has even extended its gains, says Mr Marc Wenhammar of Latin American Securities in London, pointing out that, by Tuesday, the dollar-adjusted index had risen a net 2.5 per cent since March 21. Volume has also remained high, at $18m on Tuesday, compared with $3m a day six months ago.

Indices in $ terms (rebased)

Source: Bear Stearns

On March 20, the day before the surge, Mr Domingo Cavallo, economy minister, announced that the austral, Argentina's currency, would be made fully convertible on April 1 and the exchange rate would not be allowed to fall below 10,000 australs to the dollar. Mr Cavallo said the central bank would stop printing money to cover government spending and promised that he would turn a budget deficit into a surplus.

With interest rates tumbling to 3-4 per cent a month, from 5-10 per cent a few months ago, and the exchange rate under control, investors had nowhere else to go than to equities.

Mr Hugo Grimaldi, a financial commentator, says: "This is a plan to reactivate the economy. The government wants companies to make money so it can increase its tax revenues and balance the budget."

The financial market's positive reaction heartened Mr Cavallo. A member of his entourage said: "This shows that there is real confidence in Cavallo and the possibility of recovery."

All depends on his ability to control the budget and win the backing of foreign creditors. Analysts say that the Treasury cannot meet $4.57bn in annual foreign debt service payments without fresh loans, debt relief or a moratorium.

If the government can run a budget surplus and keep interest rates low, say stock exchange officials, the outlook for Argentine equities will remain encouraging. Not only will other assets stay unattractive, but stability could improve corporate cash flows as interest rates fall and purchasing power grows.

Legalisation of loans in dollars could also encourage banks to lend more money for longer periods. Loans rarely extend beyond 90 days. Manufacturers and consumers might then increase their borrowing to raise output or to increase consumption.

None the less, a fixed exchange rate and inflationary pressures will put pressure on companies to control costs. Mr Roberto Werner, head of capital markets at Banco Roberts, says: "The market is very selective, picking consumer white goods, home electronics and car stocks. Commercial banking is in for tough times. The benefits of rationalisation will be gradual, but the cost impact is immediate."

However, one dissenting observer says: "The million dollar question is whether to bet against Cavallo or not. Economy ministers in this country always do things right until one day they make a mistake and they are gone."

History is certainly not on Mr Cavallo's side. The government has launched four major assaults on inflation in the last two years; all ended in failure.

Brazilian strength scuppers merger plans

WITH THE Brazilian stock market registering gains of more than 100 per cent in dollar terms since the beginning of the year, Mr Alvaro Augusto Vidigal, president of the São Paulo Stock Exchange, has reasons to be optimistic. Trading volumes have doubled since their low point last year, and the prospect of more foreign money coming into the market has given stock prices an added lift.

The government's new rules for equities, announced two months ago, will allow direct foreign investment in Brazil and reduce the amount of time foreigners have to hold on to stock. Mr Vidigal believes the rules could go into effect within the next 60 days and is predicting a rally leading up to the event.

Things have improved so much on the trading floor that Mr Vidigal has decided that the São Paulo exchange (Bovespa) no longer needs a b[illegible] fellow. He backed out of a scheduled merger with the Rio de Janeiro Stock Exchange a couple of weeks ago, claiming that Mr Fernando Nabuco, Bovespa's former president, had given too much away in making the deal. "Bovespa, which has the lion's share of the market in Brazil, must also have most of the power," says Mr Vidigal. The exchanges' presidents were said to have fallen out over Rio de Janeiro's status as the "political seat" of the combined exchanges.

Notwithstanding all the good news, there are some clouds on the horizon for Bovespa. The Brazilian economy is still off-course, and the latest insider trading scandal, concerning the coffee markets, has taken its toll on international credibility.

The success of privatisation, which Bovespa had been counting on to increase its market size, is also in question. "Without an international accord on debt, privatisation will not be nearly as successful as everyone had hoped," says Mr Vidigal.

In spite of Brazil's economic troubles, Mr Vidigal insists that an 18 per cent setback in the index during the first three weeks in March was just profit-taking. "Brazil's stock prices are still cheap on fundamentals," says the president. "I believe there are good days ahead."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 2 1991								MONDAY APRIL 1 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	134.04	−0.6	112.40	117.35	117.11	115.00	−0.8	5.90	134.83	113.92	119.56	118.16	115.88	135.25	112.74	134.22
Austria (19)	196.59	+0.5	164.85	172.11	171.76	172.67	+0.0	1.52	195.65	165.30	173.50	171.46	172.72	222.37	167.00	280.86
Belgium (60)	140.04	+0.8	117.43	122.59	122.35	119.84	+0.0	4.91	138.96	117.41	123.22	121.78	119.86	151.20	121.73	146.46
Canada (116)	138.09	+1.1	115.80	120.89	120.64	115.59	+1.0	3.42	136.53	115.35	121.06	119.64	114.48	141.10	126.49	141.56
Denmark (31)	242.09	+1.7	203.01	211.95	211.51	213.03	+0.4	1.56	238.00	201.09	211.05	208.57	212.19	270.56	217.74	252.69
Finland (21)	117.35	−0.5	98.41	102.75	102.53	98.18	−0.5	2.47	117.91	99.62	104.56	103.33	98.67	125.15	90.81	136.70
France (113)	140.31	+1.1	117.66	122.83	122.57	125.29	+0.7	3.39	138.85	117.31	123.12	121.67	124.43	152.26	121.85	154.88
Germany (88)	108.78	+1.7	91.22	95.25	95.04	95.04	+1.4	2.36	106.91	90.33	94.82	93.69	93.69	125.36	102.43	136.57
Hong Kong (48)	153.77	+1.2	128.94	134.62	134.35	153.84	+1.2	4.38	151.99	128.41	134.77	133.20	152.06	153.77	119.62	122.41
Ireland (16)	165.30	+1.5	138.61	144.72	144.42	146.53	+0.3	3.12	162.82	137.57	144.38	142.69	146.04	182.46	132.88	185.39
Italy (91)	79.68	+0.4	66.81	69.75	69.61	74.53	+0.3	3.42	79.39	67.08	70.40	69.57	74.29	88.23	72.05	97.32
Japan (453)	138.78	+2.4	116.38	121.50	121.27	121.50	+1.1	0.71	135.52	114.50	120.18	118.78	120.18	146.97	118.35	128.07
Malaysia (33)	236.73	+0.5	198.51	207.24	206.82	250.95	−0.3	3.04	235.61	199.07	208.93	206.48	251.59	247.78	192.83	220.95
Mexico (12)	794.13	+0.5	665.93	695.25	693.82	2593.06	+0.3	0.26	789.94	667.42	700.49	692.28	2584.14	794.13	534.45	382.27
Netherland (40)	139.52	+0.2	117.00	122.15	121.90	120.52	−0.1	4.26	139.23	117.63	123.46	122.02	120.67	145.73	125.70	139.15
New Zealand (14)	45.78	+1.1	38.39	40.08	40.00	41.24	+0.7	8.28	45.27	38.24	40.14	39.67	40.96	52.31	41.18	60.76
Norway (30)	198.62	+1.5	166.56	173.89	173.54	176.85	+0.2	1.77	195.75	165.39	173.58	171.55	176.55	223.24	182.24	233.42
Singapore (25)	193.12	+0.1	161.95	169.08	168.73	159.22	−0.1	2.36	193.00	163.07	171.15	169.14	159.38	208.25	151.63	189.46
South Africa (60)	198.60	+0.3	166.54	173.87	173.51	141.64	−0.2	4.03	198.02	167.31	175.59	173.53	141.92	208.54	173.00	183.18
Spain (41)	162.93	+1.2	136.62	142.64	142.35	128.80	−0.3	4.41	160.97	136.01	142.75	141.07	129.15	171.12	131.51	134.35
Sweden (27)	188.90	+1.1	158.41	165.38	165.04	170.30	−0.2	2.55	186.93	157.93	165.76	163.82	170.60	204.12	146.60	175.25
Switzerland (65)	94.73	+1.0	79.44	82.94	82.78	83.81	+0.1	2.47	93.82	79.27	83.20	82.23	83.71	100.67	82.17	90.14
United Kingdom (295)	177.12	+1.9	148.53	155.05	154.73	149.53	+1.1	4.77	173.87	146.91	154.17	152.36	146.91	187.44	156.27	148.82
USA (525)	153.83	+2.2	129.00	134.68	134.41	153.83	+2.2	3.19	150.52	127.17	133.48	131.92	150.52	153.83	125.95	138.94
Europe (937)	141.55	+1.4	118.70	123.92	123.67	121.45	+0.8	3.88	139.56	117.92	123.76	122.31	120.51	151.62	125.50	139.64
Nordic (109)	183.21	+1.3	153.63	160.39	160.07	156.87	+0.1	2.06	180.84	152.79	160.36	158.48	156.73	200.81	155.55	186.52
Pacific Basin (647)	138.69	+2.2	116.30	121.43	121.18	121.89	+1.0	1.04	135.67	114.63	120.31	118.90	120.66	145.92	117.86	126.09
Euro – Pacific (1584)	140.21	+1.9	117.57	122.74	122.49	122.57	+0.9	2.22	137.61	116.28	122.02	120.59	121.45	147.66	121.29	133.11
North America (641)	152.78	+2.1	128.11	133.77	133.50	151.26	+2.1	3.20	149.57	126.37	132.65	131.10	148.10	152.78	125.91	139.00
Europe Ex. UK (642)	120.06	+1.1	100.68	105.13	104.92	105.64	+0.5	3.18	118.78	100.36	105.35	104.12	105.07	129.80	106.85	132.31
Pacific Ex. Japan (194)	136.77	+0.2	114.69	119.76	119.50	122.34	+0.1	5.01	136.49	115.32	121.05	119.63	122.26	137.25	111.40	127.71
World Ex. US (1772)	141.10	+1.8	118.32	123.54	123.28	123.12	+0.9	2.28	138.55	117.06	122.87	121.42	122.01	148.16	122.32	134.02
World Ex. UK (2002)	141.14	+2.0	118.35	123.57	123.32	131.08	+1.4	2.34	138.39	116.93	122.73	121.29	129.26	143.99	120.06	133.30
World Ex. So. Af. (2237)	144.00	+2.0	120.75	126.08	125.82	132.75	+1.4	2.59	141.20	119.30	125.22	123.75	130.93	147.10	122.92	134.38
World Ex. Japan (1844)	148.64	+1.8	124.64	130.14	129.88	136.77	+1.5	3.53	146.06	123.41	129.54	128.03	136.71	151.69	126.69	139.46
The World Index (2297)	144.33	+2.0	121.03	126.36	126.11	132.81	+1.4	2.61	141.54	119.59	125.52	124.05	131.01	147.40	123.28	134.67

Latest prices were unavailable for this edition.

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